

Page 1	Page 3
<p>BEFORE THE TAX CREDIT REVIEW COMMISSION STATE OF MISSOURI</p> <p>NOVEMBER 16, 2010 COMMISSION MEETING held at the Truman Hotel and Conference Center 1510 Jefferson Street Hermitage Hall Jefferson City, Missouri 65101</p> <p>BEFORE: Steven Stogel, Co-Chair Senator Chuck Gross, Co-Chair Senator Matt Bartle Senator Jolie Justus (Via telephone) Senator Robin Wright-Jones Representative Tim Flook Representative Sam Komo Mark Gardner Luana Gifford Bill Hall Dee Joyner David Kendrick Alan Marble (Via telephone) Troy Nash (Via telephone) Melissa Randol Tom Reeves Penney Rector (Via telephone) Craig Van Matre Ray Wagner Shannon Weber Mike Wood David Zimmerman Jim Anderson Rex Burlison Sallie Hemenway Chris Pieper</p>	<p>1 SENATOR JUSTUS: Here.</p> <p>2 MS. HEMENWAY: David Kendrick?</p> <p>3 (NO RESPONSE.)</p> <p>4 MS. HEMENWAY: Representative Sam</p> <p>5 Komo?</p> <p>6 (NO RESPONSE.)</p> <p>7 MS. HEMENWAY: Pete Levi?</p> <p>8 COMMISSIONER LEVI: Here.</p> <p>9 MS. HEMENWAY: Alan Marble?</p> <p>10 COMMISSIONER MARBLE: Here.</p> <p>11 MS. HEMENWAY: Troy Nash?</p> <p>12 (NO RESPONSE.)</p> <p>13 MS. HEMENWAY: Melissa Randol?</p> <p>14 COMMISSIONER RANDOL: Here.</p> <p>15 MS. HEMENWAY: Penney Rector?</p> <p>16 (NO RESPONSE.)</p> <p>17 MS. HEMENWAY: Tom Reeves?</p> <p>18 (NO RESPONSE.)</p> <p>19 MS. HEMENWAY: Steven Stogel?</p> <p>20 CO-CHAIRMAN STOGEL: Here.</p> <p>21 MS. HEMENWAY: Russ Still?</p> <p>22 (NO RESPONSE.)</p> <p>23 MS. HEMENWAY: Craig Van Matre?</p> <p>24 COMMISSIONER VAN MATRE: Here.</p> <p>25 MS. HEMENWAY: Ray Wagner?</p>
Page 2	Page 4
<p>1 PROCEEDINGS</p> <p>2 CO-CHAIRMAN GROSS: Okay, let's</p> <p>3 call to order our Tax Credit Review Commission.</p> <p>4 We'll start with the roll call. Sallie?</p> <p>5 MS. HEMENWAY: Jim Anderson?</p> <p>6 COMMISSIONER ANDERSON: Here.</p> <p>7 MS. HEMENWAY: Senator Matt Bartle?</p> <p>8 SENATOR BARTLE: Here.</p> <p>9 MS. HEMENWAY: Zach Boyers?</p> <p>10 (NO RESPONSE.)</p> <p>11 MS. HEMENWAY: Senator Chuck Gross?</p> <p>12 CO-CHAIRMAN GROSS: Here.</p> <p>13 MS. HEMENWAY: Representative Tim</p> <p>14 Flook?</p> <p>15 REPRESENTATIVE FLOOK: Here.</p> <p>16 MS. HEMENWAY: Mark Gardner?</p> <p>17 (NO RESPONSE.)</p> <p>18 MS. HEMENWAY: Luana Gifford?</p> <p>19 (NO RESPONSE.)</p> <p>20 MS. HEMENWAY: Bill Hall?</p> <p>21 COMMISSIONER HALL: Here.</p> <p>22 MS. HEMENWAY: Dee Joyner?</p> <p>23 COMMISSIONER JOYNER: Here.</p> <p>24 MS. HEMENWAY: Senator Jolie</p> <p>25 Justus?</p>	<p>1 COMMISSIONER WAGNER: Here.</p> <p>2 MS. HEMENWAY: Todd Weaver?</p> <p>3 (NO RESPONSE.)</p> <p>4 MS. HEMENWAY: Shannon Weber?</p> <p>5 (NO RESPONSE.)</p> <p>6 MS. HEMENWAY: Mike Wood?</p> <p>7 COMMISSIONER WOOD: Here.</p> <p>8 MS. HEMENWAY: Senator Robin</p> <p>9 Wright-Jones?</p> <p>10 SENATOR WRIGHT-JONES: Here.</p> <p>11 MS. HEMENWAY: David Zimmerman?</p> <p>12 (NO RESPONSE.)</p> <p>13 CO-CHAIRMAN GROSS: Quorum being</p> <p>14 present, we'll come to order. First thing I</p> <p>15 think we need to do is review the documents so</p> <p>16 you know what you have in front of you and all.</p> <p>17 From the last Commission meeting of November 5,</p> <p>18 everybody was given a binder, and today you're</p> <p>19 given another packet of documents.</p> <p>20 And the recommended method for</p> <p>21 being organized if that's what you like to do is</p> <p>22 in your binder, you'll find a Global Issues tab.</p> <p>23 It should be the last tab in the binder. That</p> <p>24 set of new documents will fit right behind that</p> <p>25 and flow after that.</p>

Page 5	Page 7
<p>1 So I will give everybody a little 2 time to do that if they want, they want to keep 3 in the binder. It's your business, just telling 4 you that's kind of how it's organized. 5 Again, behind the Global Issues tab 6 that's already in your binder, you can just put 7 everything there. You'll probably want to take 8 the agenda off the front of it, but other than 9 that, everything fits right in there after that 10 Global Issues tab. 11 Next item is, just to review the 12 agenda, we're going to go through the revised 13 committee reports that were presented at the last 14 meeting, then we'll hit global issues, and -- or 15 maybe we'll get to the global issues today, we'll 16 see how that goes. Low income, and then 17 historic, and try to finish everything up. 18 So we got a few items yet to do 19 today. We have to approve some minutes from 20 previous meetings. And the first minutes to 21 approve are from Wednesday, October 20th, Tax 22 Credit Review Commission, those minutes are in 23 that packet that you have in front of you. 24 Maybe I need to slow down a little 25 bit. I'm going to wait a few minutes, let</p>	<p>1 approve those minutes? 2 COMMISSIONER ANDERSON: I move. 3 CO-CHAIRMAN GROSS: A have a 4 motion, do I have a second? 5 COMMISSIONER WAGNER: I second. 6 CO-CHAIRMAN GROSS: Second by Ray 7 Wagner? Discussion? 8 (NO RESPONSE.) 9 CO-CHAIRMAN GROSS: All in favor 10 say aye? 11 (AYE.) 12 CO-CHAIRMAN GROSS: Opposed say no? 13 (NO RESPONSE.) 14 CO-CHAIRMAN GROSS: Meeting minutes 15 of October 20th are approved. 16 Next set of minutes are from 17 November 5th, that was a meeting in Jefferson 18 City. Columbia. November 5. Motion to approve 19 on those? 20 COMMISSIONER ANDERSON: Motion to 21 approve on faith. 22 CO-CHAIRMAN GROSS: These were also 23 e-mailed out to everybody. Jim Anderson made the 24 motion. Do I have a second? 25 COMMISSIONER LEVI: Second.</p>
Page 6	Page 8
<p>1 everybody get caught up. And for everybody 2 that's on the phone, all of this information I'm 3 referring to was e-mailed by Chris Pieper last 4 night? 5 MR. PIEPER: Yesterday. 6 CO-CHAIRMAN GROSS: Yesterday. 7 While we're waiting for everyone to get organized 8 can we just start on this side of the room? 9 Alicia Love, reporter. Jim Moody, 10 Moody & Associates. Brian Schmitt in the front 11 here. Matt Cantrell, Department of Economic 12 Development. Ann Perry, Department of Economic 13 Development. Katie Watts, Missouri Housing 14 Development Commission. I'm repeating the names 15 so the people on the phone can hear. 16 Jennifer Tidwell with MHDC. Carmen 17 Schultz with Missouri Coalition of Children's 18 Agencies. Pat Dougherty, policy advisor to 19 Senator Gross. Bill Ratliff. Brandt Butler, 20 Missouri Insurance Coalition. (Inaudible), 21 Missouri Citizen. 22 Okay. Again, now I'm turning to 23 the Minutes tab in your handouts, and the first 24 minute -- first set of minutes to approve are 25 from October 20th. Do we have a motion to</p>	<p>1 CO-CHAIRMAN GROSS: Second by Pete 2 Levi. All in favor say aye? 3 (AYE.) 4 CO-CHAIRMAN GROSS: Opposed say no? 5 (NO RESPONSE.) 6 CO-CHAIRMAN GROSS: Okay, so those 7 minutes are approved as well. 8 Next we are going to have committee 9 chairs again present their amended reports, 10 hopefully. Certainly on some of the items I 11 think we'll get to quick resolution. The goal is 12 going to be to -- because we have to finish this 13 work, we need to come to consensus as -- I don't 14 want to say as quickly as possible, but 15 diligently work to get to consensus on these 16 things. 17 If we have to park one or two more 18 until the end of the day or until tomorrow 19 morning, we'll do that, but not lightly, if you 20 will. We have to wrap these things up. Very 21 important. And we're going to continue with the 22 rules that we adopted and agreed to the last 23 meeting, and with that -- 24 COMMISSIONER WAGNER: Mr. Chairman? 25 May I offer a comment and a point of personal</p>

Page 9	Page 11
<p>1 privilege completely unrelated to the agenda 2 today? Something that I mentioned to Chairman 3 Stogel earlier seems to be on my mind as we start 4 today. 5 CO-CHAIRMAN GROSS: Ray, proceed. 6 COMMISSIONER WAGNER: On Saturday a 7 lady that had great impact on the State of 8 Missouri passed away. Her name is Julie Dammann. 9 And Julie, as many of you may know, worked on 10 Senator Bond's staff in Washington, DC, for 11 eighteen years. She served the last nine as 12 Chief of Staff. 13 On Saturday, Julie lost her eleven 14 year battle with cancer. She was a very 15 courageous woman, a very close friend of mine and 16 my family. Julie left behind two daughters and a 17 husband, and she was just an amazing woman. 18 And the reason I bring it up here 19 today is because I think we all know what Senator 20 Bond has done for the State of Missouri with 21 respect to economic development, he is, has been 22 the center of and championed throughout the State 23 of Missouri. 24 I think if you look at all of his 25 projects for the eighteen years Julie served in</p>	<p>1 then we'll go right back into committee reports, 2 and the first one is from ag and the environment. 3 COMMISSIONER MARBLE: I guess 4 that's me, this is Alan Marble on the phone. Can 5 you hear me okay? If you have the open items 6 document in front of you, I think the only thing 7 left for our committee to do is come up with a 8 formula for the family farm breeding and 9 livestock program. 10 You'll recall the last time it was 11 recommended that the program be changed some 12 because it was intentioned upon the farmer 13 getting a loan, and that seems to be something 14 that may not be necessary. 15 If it pleases you, I'll read just 16 pieces of this, it's a long item, so you can 17 glance through it, but there are a few pieces 18 that are important. 19 And it's just an introduction. In 20 the first paragraph, it says it provides a tax 21 credit to the lender in lieu of the first year 22 interest payable on breeding livestock loans made 23 to small farmers who are Missouri residents and 24 who have less than \$250,000 gross agricultural 25 product sales per year.</p>
Page 10	Page 12
<p>1 his office, you would probably see Julie 2 Dammann's fingerprints on most of them. In some 3 way, she really did more for the State of 4 Missouri than I think certainly I could do as a 5 part of this committee. 6 As we undertake our 7 responsibilities today and the important projects 8 and work that we're doing, I know for me, keeping 9 in perspective what she has suffered the last few 10 years and what her family is going through right 11 now does, in fact, put it in perspective. So I 12 just wanted to offer a moment of silence today. 13 CO-CHAIRMAN GROSS: Sure, let's 14 have a moment of silence, please, for Miss 15 Dammann. 16 (MOMENT OF SILENCE.) 17 COMMISSIONER WAGNER: Thank you 18 very much. Her services will be later in the 19 week, and I thought for a moment this might 20 preclude my participating in those, but, as duty 21 called here. 22 CO-CHAIRMAN GROSS: Thanks for 23 being here, Ray, and again, for mentioning that 24 to the Commission. 25 Okay. If there's nothing else,</p>	<p>1 And I direct your attention to the 2 last sentence in that paragraph, it says the 3 credit is equal to 100 percent of the interest 4 waived by the lender. We were just concerned 5 that a farmer would have to borrow money to 6 access this credit. 7 The next paragraph just simply says 8 the credits are not refundable, little background 9 on the credit. Credit is not refundable, but may 10 be carried forward up to three years. The credit 11 is assignable, and it does have a \$300,000 annual 12 cap. We're not recommending changing any of 13 that. 14 We did find some information from 15 the Department of Agriculture that indicated that 16 some farmers don't use this credit because they 17 have to borrow money. So we did suggest this 18 change. 19 If you drop down to the second 20 paragraph on the bottom of the page, the apparent 21 purpose of this credit is to encourage farmers to 22 acquire breeding livestock. It does not seem 23 obvious or relevant to the Commission why this 24 bill should be related to the amount borrowed by 25 the farmer.</p>

Page 13	Page 15
<p>1 Accordingly the Commission has 2 recommended this credit be restructured. 3 Commission has suggested the credit be related to 4 the purchase price of the breeding livestock. 5 Based on all the credits issued since the program 6 started back in 2007, the actual amount of tax 7 credits issued would have been approximately 7 8 percent. It turned out to be 6.99, but round 9 that up to 7. Seven percent of the total 10 purchase price, qualifying purchase price. 11 Thus the Commission believes it's 12 reasonable to assume that the same costs to the 13 state and the goals of the credit could be more 14 easily accomplished if the farmer receives the 15 credit, and the credit is limited to 7 percent of 16 the total qualifying purchase price for the 17 eligible breeding livestock, subject to the 18 statute's existing limits. 19 The total qualifying purchase price 20 is the lesser of the actual purchase price of the 21 eligible livestock, or 75,000 for beef and dairy, 22 30,000 for sheep and goats, and 35,000 for swine. 23 And that does not change the limits that -- those 24 are the original limits, and we don't suggest 25 changing them.</p>	<p>1 finished? 2 COMMISSIONER REEVES: Yeah, unless 3 any of my colleagues would like to add anything. 4 CO-CHAIRMAN GROSS: So the 5 recommendation, then, begins on the bottom of 6 page 3, tell me if I'm wrong, where it says 7 accordingly, the subcommittee has recommended 8 that this credit be abolished. To the extent 9 it's replaced, it should be in the form of some 10 type of subsidy for low income bracket taxpayers 11 which may be applied or refunded if they purchase 12 health insurance. 13 And then there's a for example in 14 there which I will not read, but that will be 15 part of the recommendation. You want to make 16 that in the form of a motion? 17 COMMISSIONER REEVES: I'd like to 18 make a motion to adopt that language. 19 CO-CHAIRMAN GROSS: Do I have a 20 second? 21 COMMISSIONER JOYNER: Second. 22 CO-CHAIRMAN GROSS: Second by Dee 23 Joyner. Discussion? 24 SENATOR BARTLE: I wonder if Sallie 25 or someone could keep a running total as we</p>
Page 14	Page 16
<p>1 CO-CHAIRMAN GROSS: Okay. Very 2 good. Do you want to make that in the form of a 3 motion? Alan? 4 COMMISSIONER MARBLE: Yeah, sure, I 5 will do that. 6 CO-CHAIRMAN GROSS: Okay. You've 7 heard the motion. Do I have a second? 8 COMMISSIONER WOOD: Second. 9 CO-CHAIRMAN GROSS: Second? 10 Questions? I have none. All in favor say aye? 11 (AYE.) 12 CO-CHAIRMAN GROSS: Okay. That is 13 adopted. Opposed say no? Don't get me started. 14 (NO RESPONSE.) 15 CO-CHAIRMAN GROSS: Hearing none, 16 motion is adopted. Very good. Thank you, Alan. 17 Banking and insurance. Mr. Reeves. 18 COMMISSIONER REEVES: Yes. We had 19 the charge of actually modifying just one tax 20 credit, which was the self-employed health tax 21 credit, and in the package there are some rework. 22 Basically the committee asked us to expand and 23 explain in a little bit more detail as to why we 24 made the decision to discontinue that tax credit. 25 CO-CHAIRMAN GROSS: Are you</p>	<p>1 proceed on how much we've reduced the tax credit 2 liability in the state. 3 CO-CHAIRMAN STOGEL: We are 4 actually in the process of preparing that chart, 5 and we started on it yesterday. That's a major 6 focus of what the co-chairs have been working on. 7 We're going to have that tallied at the end of 8 the day and we'll continue it tomorrow, Senator. 9 That's part of what the governor sent us to do. 10 CO-CHAIRMAN GROSS: Further 11 discussion on the motion? 12 (NO RESPONSE.) 13 CO-CHAIRMAN GROSS: Hearing none, 14 all in favor say aye? 15 (AYE.) 16 CO-CHAIRMAN GROSS: Opposed say no? 17 (NO RESPONSE.) 18 CO-CHAIRMAN GROSS: The ayes have 19 it, that motion is adopted. 20 Social contribution committee. 21 COMMISSIONER HALL: We had very few 22 items that weren't closed in the last meeting. 23 We have included those items that were mentioned 24 in our revised report. There were two that 25 really -- one open item, and then I think one</p>

4 (Pages 13 to 16)

Page 17	Page 19
<p>1 thing will be taken up when we get to the global 2 issues committee. 3 The one open items had to do with 4 the limitation on contributions to include pantry 5 tax credit, and I couldn't find any history of 6 why it was \$2,500. So I don't know anything more 7 about that than I knew last time. It seemed very 8 low and I think should be modified, but I don't 9 know how we got to \$2,500 in the first place. 10 The second thing would be I think 11 just a discussion when we get to global issues 12 about the refundable credits and really how they 13 fit into the overall plan for the tax credit 14 program, and I think Steven also has some ideas 15 on how we can probably get to prove the value of 16 lower credits. 17 CO-CHAIRMAN GROSS: What I've been 18 trying to think of is why is there a limit law? 19 COMMISSIONER HALL: I think there 20 would be a limit just by geography. I think that 21 if you had unlimited contributions to the food 22 pantry tax credit, you could have all of that 23 taken in either Kansas City or St. Louis. 24 Certainly on the food side you could use up the 25 whole credit. You could have Schnucks use up the</p>	<p>1 it -- a cap of \$50,000 on it, you're going to get 2 geographic disbursement around the state. 3 CO-CHAIRMAN STOGEL: The food 4 pantry has a 70 percent credit for out state? 5 COMMISSIONER HALL: No. It's all 6 50. 7 SENATOR BARTLE: Are -- are they 8 giving to the food pantries anyway? Would we 9 simply be giving them a tax credit for something 10 -- trying to incent them to do what they're 11 already doing? 12 COMMISSIONER HALL: I think that's 13 possible, and that's been a concern of mine, and 14 it could be that you could lower the food amount 15 and raise the cash amount so that if you did -- 16 and I think it's a good suggestion. 17 Let's say you did a \$10,000 food 18 limit because that way you get the restaurants 19 and you're not -- and \$10,000 isn't going to 20 impact the food business, they're going to give a 21 whole lot more than that if they're giving, and 22 raise the cash portion for the food pantries, 23 that probably would accomplish what your concern 24 is. 25 And I would make a motion that we</p>
Page 18	Page 20
<p>1 entire credit. 2 So I think there needs to be a 3 limitation to assure that there's geographic 4 disbursement around the state, but certainly the 5 limit on the cash side should go up. No question 6 about that. A limitation on the food side should 7 go up too, there ought to be some kind of limit 8 so it doesn't get concentrated in one area. 9 CO-CHAIRMAN GROSS: Recommendation 10 on what to raise that \$2,500 cap to or limit to? 11 COMMISSIONER HALL: Well, it's a \$2 12 million credit of which we're using \$500,000. So 13 certainly if we moved it up to \$50,000, that 14 might begin to use up the credit which I think 15 would be -- would have merit. 16 CO-CHAIRMAN STOGEL: Is there a 17 recommendation for doing that geographically? 18 Any recommendation to ensure it's not focusing on 19 the food business? 20 COMMISSIONER HALL: I don't think 21 there's anything wrong with people in the food 22 business giving food to food pantries. To me 23 that's how food pantries work, so I don't think 24 we want to put too much of a limit on that. 25 I mean, I think if you put a cap at</p>	<p>1 change the limitation on food pantries to \$10,000 2 for food donations and \$50,000 for cash 3 donations. 4 CO-CHAIRMAN GROSS: You heard the 5 motion. Is there a second? 6 CO-CHAIRMAN STOGEL: Second. 7 CO-CHAIRMAN GROSS: Second by Mr. 8 Stogel. Discussion? 9 (NO RESPONSE.) 10 CO-CHAIRMAN GROSS: Hearing none, 11 all in favor say aye? 12 (AYE.) 13 CO-CHAIRMAN GROSS: Opposed say no? 14 (NO RESPONSE.) 15 CO-CHAIRMAN GROSS: The ayes have 16 it, adopt that motion. 17 Now, when I read through the 18 transcripts, I just want to be clear that -- on 19 what we've done. I want to ask the question, I 20 believe that there were three items that were 21 missed at all, I mean just not dealt with. 22 One was the family development 23 account tax credit, one was the health care 24 access fund, and the other one was the small 25 programs. No, not peace officer. Commercial and</p>

Page 21	Page 23
<p>1 residential disabled access and public safety, 2 surviving spouse credits. And I think the vote 3 that was taken was clear on the international 4 adoption tax credit, but I don't think it's clear 5 on those other three. 6 So we just need to determine what 7 we want to do with the family development 8 account, health care access fund, and the 9 commercial and residential disabled access and 10 public safety, surviving spouse tax credit 11 programs. 12 COMMISSIONER HALL: Well, I think 13 that what our committee thought is we said they 14 have a very low impact. They are all sunset. 15 And so in -- to that extent, I think our belief 16 was that they would be allowed to terminate. 17 They have a very -- they're not large dollar 18 amounts. Some of them are -- one of them's 19 \$9,000. 20 So in terms of the work of the 21 committee, it was kind of a practical concern, is 22 somebody going to vote out a \$9,000 tax credit 23 for the surviving spouse of a peace officer, and 24 my guess was no. That's -- nobody's going to 25 take a vote and say they're against that.</p>	<p>1 SENATOR WRIGHT-JONES: Troy? 2 COMMISSIONER NASH: Yes, I am here, 3 Senator, how are you? 4 CO-CHAIRMAN GROSS: Ready for your 5 report, Troy. 6 COMMISSIONER NASH: Okay, Senator, 7 could you start us off here? I continue to have 8 technological difficulties. 9 SENATOR WRIGHT-JONES: I believe 10 the distressed communities have the greatest 11 number of homes, every one of ours had some 12 discussion so let's start on page 6. I'm not 13 going to read it verbatim for the sake of time, 14 I'm going to highlight certain things. 15 On the Brownfield jobs and 16 investment, we are recommending that the 17 legislative -- our session, the upcoming session, 18 conform the benefit available under the program 19 with the benefits available under Missouri 20 quality jobs program, except that the minimum job 21 threshold should be reduced in the rural and 22 urban areas, and you can see yourself what those 23 numbers are. 24 And then it goes on, the benefit of 25 the scheme are your four bullet points, and I ask</p>
Page 22	Page 24
<p>1 Will it sunset in time? I think it 2 probably will. So we felt these things were 3 better to let allow to sunset as opposed to take 4 -- whether or not the legislature would want to 5 take a vote on it. 6 CO-CHAIRMAN GROSS: That's fine. I 7 just wanted to try to clear up business is all, 8 so that's fine. Would you make a motion that we 9 just allow those to sunset? 10 COMMISSIONER HALL: It would be our 11 recommendation that those be allowed to sunset. 12 CO-CHAIRMAN GROSS: That's a motion 13 to allow those to sunset. Do I have a second? 14 CO-CHAIRMAN STOGEL: Second. 15 CO-CHAIRMAN GROSS: Second by Mr. 16 Stogel. Discussion? 17 (NO RESPONSE.) 18 CO-CHAIRMAN GROSS: All in favor 19 say aye? 20 (AYE.) 21 CO-CHAIRMAN GROSS: Opposed say no? 22 (NO RESPONSE.) 23 CO-CHAIRMAN GROSS: The ayes have 24 it. 25 Next is distressed communities.</p>	<p>1 that you scan those and if indeed you have 2 questions, we'll discuss it. 3 We also recommend that tax credits 4 solely for investment without jobs should be 5 eliminated in order to better focus limited state 6 resources on the creation of permanent full-time 7 jobs. We thought that was a better way to bring 8 more mainstream jobs to the communities and into 9 our constituents. 10 Any thoughts, questions, concerns 11 there, anybody? This is the time to make them. 12 CO-CHAIRMAN GROSS: I remember the 13 discussion about including the quality jobs 14 provisions, if you will, or something in here, 15 but now I'm just continuing on with that, is 16 there a reason logically that the credit needs to 17 continue versus using the quality jobs program? 18 In other words, we get it close 19 enough to a quality jobs criteria program, or 20 orient based program, maybe the program itself 21 just doesn't need to exist, and they could 22 qualify and apply for quality jobs. 23 SENATOR WRIGHT-JONES: Period? 24 CO-CHAIRMAN GROSS: Yeah. 25 CO-CHAIRMAN STOGEL: I think it's a</p>

Page 25	Page 27
<p>1 question as what qualifies for a quality job and 2 what qualifies for this kind of job, and I don't 3 -- I need some help on this one, Senator. 4 MS. HEMENWAY: The quality jobs 5 program has its basis of eligibility on specific 6 mix codes. It's easier to list what's not 7 eligible for quality jobs than what is eligible. 8 Gambling is not eligible, you know, the typical 9 industries that you find in many statutes are not 10 eligible for quality jobs. 11 The Brownfield jobs and investment 12 statute does not limit the eligibility of 13 companies. It currently has a lower threshold, 14 which was their original recommendation, has a 15 lower threshold for participation. 16 And so the only difference between 17 the two in terms of eligible access would be the 18 number of jobs that you need to create in order 19 to meet the minimum threshold, the wage 20 requirements for the job, and the participation 21 in employee health insurance. Those are the 22 three big differences between the Brownfield jobs 23 and investment as it currently sits and the 24 quality jobs. 25 So their recommendation to bring it</p>	<p>1 thought, though? 2 SENATOR BARTLE: My thought would 3 be that for the Brownfield jobs investment, that 4 we simply vote to recommend that it be 5 eliminated. 6 CO-CHAIRMAN STOGEL: The investment 7 part or the jobs part? 8 SENATOR BARTLE: The -- I would -- 9 I think I would move the whole thing be 10 eliminated, but that, you know. 11 CO-CHAIRMAN STOGEL: I just want to 12 make sure there's not a I don't quite understand 13 yet overlap. Quality jobs is here, and this is a 14 different subset. I just want to make sure we 15 have the job calculus right. 16 MS. HEMENWAY: The other major 17 component is the Brownfield jobs investment is a 18 companion piece to Brownfield remediation, okay? 19 So Brownfield remediation is a state tax credit 20 that helps the developer or the owner of the 21 property go in and remediate the hazardous 22 materials so that it can be redeveloped. 23 This incentive then helps the 24 developer to bring businesses into that project 25 to fill it up and -- for its redevelopment. So</p>
Page 26	Page 28
<p>1 up means that you would change the program to say 2 that they have to meet a minimum wage threshold, 3 higher than the county average wage. They would 4 have to meet 10 and 20 jobs in rural and urban 5 areas respectively, and they would have to -- the 6 employer would have to pay a percentage of the 7 health insurance for the employees. 8 CO-CHAIRMAN GROSS: So it's quality 9 jobs light? Because of the minimum job 10 requirements being lower than it is in the 11 quality jobs program. 12 SENATOR BARTLE: It seems to me 13 that we ought to just eliminate it. It's trying 14 to do -- part of our problem is complexity. 15 We've put stuff in the law and then we, you know, 16 then we'll come with quality jobs or we'll come 17 with another program, and we never go back and 18 clean something up and say, "Hey, you know what, 19 this is really subsumed by quality jobs." 20 And I hope that -- I hope that when 21 we're done, we've made some recommendations for 22 consolidation. And so I guess I would maybe make 23 a -- modify -- or an amendment to the motion that 24 we would just -- 25 SENATOR WRIGHT-JONES: What's your</p>	<p>1 it's incenting the developer to go out and find 2 companies to fill that property, and they can pay 3 -- in the current scheme, you can see what the 4 benefits that they get under the bullets that the 5 Senator has listed out here. 6 They get \$500 for an existing 7 business per year for a period of one to 10 8 years. They get \$400 for every new job exceeding 9 10. You know, there's quite a structure of 10 benefits provided. 11 The -- the difference, then, is if 12 it is eliminated under Senator Bartle's scheme, 13 then it is the entity that would be occupying the 14 building, the actual business that would be 15 occupying the building that would be the 16 recipient of the quality jobs instead of the 17 developer who would be the recipient -- or the 18 developer who would be applying on behalf of the 19 business under jobs and investment. 20 CO-CHAIRMAN GROSS: So the 21 developer could get the Brownfield remediation 22 money to clean up the site and build the 23 building, and the tenant or, if you will, would 24 get the business incentive. 25 REPRESENTATIVE FLOOK: But the</p>

Page 29	Page 31
<p>1 developer assists them, practically makes the 2 application for them?</p> <p>3 MS. HEMENWAY: Right. This tool is 4 a means for the developer to do the second step 5 of that building remediation and then reuse. In 6 the -- if it were changed to quality jobs, 7 there's no reason why the developer couldn't help 8 the entity apply for quality jobs as well.</p> <p>9 REPRESENTATIVE FLOOK: The 10 developer, an astute one, would already be 11 motivated to do it regardless. At least the 12 program is not the developer doesn't really get 13 cash out of the -- out of the -- the jobs 14 investment part of it.</p> <p>15 CO-CHAIRMAN STOGEL: He may get a 16 tenant.</p> <p>17 REPRESENTATIVE FLOOK: He'll get a 18 tenant, but he or she is not getting the 19 incentive themselves. It is definitely straight 20 through to the -- so quality jobs is -- it could 21 -- is and could effectively cover this.</p> <p>22 CO-CHAIRMAN STOGEL: But if quality 23 jobs has to be the county average plus, and these 24 are minimum wage plus two dollars, it may fall 25 into the gap where some manufacturing facility</p>	<p>1 something. Which I think would make us more 2 competitive.</p> <p>3 CO-CHAIRMAN GROSS: Sallie wrote 4 down pie chart.</p> <p>5 SENATOR WRIGHT-JONES: We're not 6 going to leave this open again, are we?</p> <p>7 CO-CHAIRMAN GROSS: No, we're not 8 going to leave it open, but it might be something 9 we put in our final report. We'll have the pie 10 chart put together, and it might be something we 11 put in the final report.</p> <p>12 CO-CHAIRMAN STOGEL: Senator, I'm 13 -- part of the governor's assignment was to 14 figure out ways to create jobs, quality jobs. My 15 sense of it is that this job helps small 16 businesses, not developers, and may target an 17 income level that's less than county average.</p> <p>18 I don't know if we have anything 19 else that would help that kind of small business 20 locate their --</p> <p>21 REPRESENTATIVE FLOOK: Doesn't TIF 22 do that by its nature?</p> <p>23 CO-CHAIRMAN STOGEL: TIF?</p> <p>24 REPRESENTATIVE FLOOK: When you TIF 25 a project and you get retail and you get</p>
Page 30	Page 32
<p>1 isn't going to --</p> <p>2 REPRESENTATIVE FLOOK: This is one 3 of the programs, then, that --</p> <p>4 CO-CHAIRMAN STOGEL: That lets you 5 have something below county wages that still 6 employs people, and you drop the minimums so that 7 small business can really get started.</p> <p>8 CO-CHAIRMAN GROSS: I think that's 9 one of the great criticisms of where we're 10 putting tax dollars right now is into those kind 11 of jobs rather than the ones that really are 12 economic development jobs instead of user -- 13 users of the tax dollars.</p> <p>14 SENATOR BARTLE: Mr. Chairman, I'd 15 be interested in seeing a pie chart. If you took 16 the entire tax credit pie in the State of 17 Missouri, what percentage of it is -- is 18 incenting development? That's an important part 19 of our economy, but that's only one small part of 20 our economy.</p> <p>21 I think one of the things that we 22 could do here, this -- this group could do, is 23 free up more tax credit and more economic 24 development dollars to be spent on other sectors 25 of economy that doesn't involve building</p>	<p>1 restaurant and you get hotel and all that, that's 2 -- a lot of those are low wage jobs, and TIF is 3 one of the largest things going on in the state. 4 So at least for me when I look at this, I look at 5 the size of it and compare it, we're doing other 6 things in those areas, especially the cities.</p> <p>7 CO-CHAIRMAN STOGEL: I am thinking 8 of the warehouse that has cargo that doesn't have 9 a TIF, it's too small to get a TIF. And if this 10 program couldn't stack with quality jobs or 11 couldn't stack with TIF, but was really targeted 12 for that wage bracket below where the county 13 average is, can fill up some old buildings, I 14 think it does serve a useful purpose in urban and 15 rural. And I like the idea of dropping the 16 eligibility because I don't know of another job 17 incentive program for really small businesses 18 that get just this credit.</p> <p>19 CO-CHAIRMAN GROSS: Mr. Van Matre 20 has a question. Go ahead.</p> <p>21 COMMISSIONER VAN MATRE: I'm 22 correct, am I not, that these jobs don't 23 necessarily have to be directed towards the 24 cleaning up of the environmental problem?</p> <p>25 MS. HEMENWAY: That's correct.</p>

Page 33	Page 35
<p>1 Those -- the jobs that are incorporated into the</p> <p>2 Brownfield jobs and investment are those from the</p> <p>3 companies that are locating in the property after</p> <p>4 it's been remediated.</p> <p>5 COMMISSIONER VAN MATRE: So it's</p> <p>6 not addressed in anything other than just</p> <p>7 incentivizing somebody, but is there any nexus at</p> <p>8 all in the Brownfield -- it has to have been a</p> <p>9 Brownfield first before you get the --</p> <p>10 MS. HEMENWAY: Yes, there is a</p> <p>11 connection between the, obviously the Brownfield</p> <p>12 itself, the cleanup, the Brownfield remediation</p> <p>13 credit, and the Brownfield jobs and investment</p> <p>14 credit. And -- and I -- and correct me if I'm</p> <p>15 wrong, you cannot use the Brownfield jobs and</p> <p>16 investment credit unless it's tied to the</p> <p>17 remediation credit.</p> <p>18 COMMISSIONER VAN MATRE: I guess my</p> <p>19 real question is but for --</p> <p>20 COMMISSIONER NASH: Mr. Chairman,</p> <p>21 this is Troy Nash. Is this an appropriate time</p> <p>22 to speak? I'm not there, so I don't want to jump</p> <p>23 ahead of anyone.</p> <p>24 CO-CHAIRMAN GROSS: Craig Van Matre</p> <p>25 right now has the floor and he's speaking. I'll</p>	<p>1 to be eliminated because it is duplicative of all</p> <p>2 the jobs. So I guess my real -- I think what my</p> <p>3 vote on that is can we attribute to this credit</p> <p>4 some beneficial effect that otherwise wouldn't</p> <p>5 exist?</p> <p>6 SENATOR WRIGHT-JONES: Troy, you</p> <p>7 were going to comment?</p> <p>8 CO-CHAIRMAN GROSS: Troy, you want</p> <p>9 to say something now?</p> <p>10 SENATOR WRIGHT-JONES: Troy?</p> <p>11 COMMISSIONER NASH: Can you hear me</p> <p>12 okay? Thank you very much, and I apologize once</p> <p>13 again for not being able to be with you</p> <p>14 personally.</p> <p>15 I want to comment, though, because</p> <p>16 this is something that we spent, Senator Robin</p> <p>17 Wright-Jones and I, a great deal of time on, and</p> <p>18 I want to remind my friends there that we are</p> <p>19 talking about distressed communities, not only</p> <p>20 inner city or urban areas, but also rural areas.</p> <p>21 And it seems to me that that should sort of guide</p> <p>22 our discussion. It's not just like, frankly, all</p> <p>23 the others.</p> <p>24 And the last comment, or the</p> <p>25 comment before last that focused on the unique --</p>
Page 34	Page 36
<p>1 ask him to get a little closer to the mike.</p> <p>2 COMMISSIONER NASH: Okay. I'm</p> <p>3 sorry. Please let me know, because I have a few</p> <p>4 comments particularly with respect to that last</p> <p>5 comment just made.</p> <p>6 COMMISSIONER VAN MATRE: My real</p> <p>7 question is but for this credit, would there be</p> <p>8 development that would or would not occur? In</p> <p>9 other words, what I want to know is what is the</p> <p>10 efficacy or efficiency of this credit in inducing</p> <p>11 what otherwise might remain far afield?</p> <p>12 MS. HEMENWAY: Only way I would</p> <p>13 have to answer that is just numerically if you</p> <p>14 look at the number of Brownfield projects and</p> <p>15 then the number of Brownfield jobs and investment</p> <p>16 projects in the -- in the form 14s, that would be</p> <p>17 the only way I would be able to tell you if there</p> <p>18 is a -- you know, how much of a direct relation</p> <p>19 there is between the redevelopment and reuse</p> <p>20 based on this credit that's happening because of</p> <p>21 the remediation. So does that --</p> <p>22 COMMISSIONER VAN MATRE: I think</p> <p>23 Senator Bartle's point is unless we can show --</p> <p>24 maybe -- unless we can show this particular</p> <p>25 credit as a separate additional effect, it ought</p>	<p>1 the tie between the actual job creation and</p> <p>2 Brownfield remediation, I think is something that</p> <p>3 is separate and distinct from maybe the quality</p> <p>4 jobs piece that we're talking about.</p> <p>5 And so for those reasons, again,</p> <p>6 primarily the fact that it's part of a broader</p> <p>7 distressed economic development scheme, I would</p> <p>8 lean towards having it remain a tool in the</p> <p>9 toolbox. Let's be clear here, there are not very</p> <p>10 many tools there, and if, in fact, economic</p> <p>11 development opportunities were so great in these</p> <p>12 rural and urban and inner city areas, well, the</p> <p>13 private market would already be there.</p> <p>14 So I think we really need to keep</p> <p>15 that in mind as we move forward, but I would</p> <p>16 certainly not want to see it eliminated at this</p> <p>17 point.</p> <p>18</p> <p>19 CO-CHAIRMAN GROSS: Thanks, Troy.</p> <p>20 Who's next?</p> <p>21 COMMISSIONER HALL: I'd just like</p> <p>22 to make a comment. I find it hard to imagine</p> <p>23 what above average pay employer is going into a</p> <p>24 Brownfield site. So to follow Steve's point, I</p> <p>25 think if you have a Brownfield site, you're going</p>

Page 37	Page 39
<p>1 to have a below average pay employer. I don't 2 think you're going to find a bunch of engineering 3 firms that go into Brownfield sites. 4 SENATOR WRIGHT-JONES: I would tend 5 to disagree just knowing what's going on in my 6 district. We do have some major employers and 7 companies of great merit coming in, especially in 8 the City of St. Louis. 9 Land assemblage is an issue, we 10 don't have that many large parcels large enough 11 to attract manufacturing so we have to kind of 12 cobble them together. And we are doing great 13 work, and the Brownfields and many, many of our 14 developments have come right through that. So I 15 would tend to disagree. 16 COMMISSIONER NASH: I would add it 17 depends on what the definition of average is. 18 Average over there means something a little -- a 19 little different. It's -- you know, we're happy 20 to just have jobs. I mean, it may not be the 21 broader average that we're all accustomed to, but 22 it is a job. The fundamentals are just, as you 23 all know, are very different over there. I just 24 wanted to sort of inject that into the debate. 25 SENATOR WRIGHT-JONES: Small</p>	<p>1 FY '09 four users for a million nine sixty-five 2 budget for this year's million eight with five 3 users. I'm going to dig out the enhanced 4 enterprise zone mathematics so we know what the 5 facts are. 6 Does enhanced enterprise cover 7 these Brownfield credits so that there is a place 8 for a person who has a manufacturing facility in 9 rural Missouri or north St. Louis to have wages 10 paid that are not above the county average? 11 MS. HEMENWAY: There is no wage 12 requirement minimum in enhanced enterprise zone, 13 so yes, the answer is yes. 14 COMMISSIONER ANDERSON: It seems to 15 me that's the tax credit that has the flexibility 16 if, in fact, we want to change this Brownfield 17 credit, we have some flexibility with enhanced 18 enterprise zone to complement and perhaps 19 accomplish the same thing. 20 REPRESENTATIVE FLOOK: If you have 21 something that can cover this, and it's kind of 22 to Senator Bartle's point about consolidating and 23 getting basically the same result with less 24 budget impact, because, as you know, the budget 25 planners are planning for all this to impact the</p>
Page 38	Page 40
<p>1 business is really our backbone in the City of 2 St. Louis because we just don't have the land to 3 bring in very large companies so we need as much 4 as we can to stimulate economic growth. And this 5 has been a tool for us. 6 CO-CHAIRMAN GROSS: And Jim 7 Anderson wanted to say something also. 8 COMMISSIONER ANDERSON: Thanks, 9 Senator. We haven't talked yet about enhanced 10 enterprises zone. Would not that tax credit 11 complement here? We've been focusing only on 12 quality jobs, but enhanced enterprise zone is 13 frankly the more flexible credit that we're 14 talking about here. Would it not complement? 15 MS. HEMENWAY: On enhanced 16 enterprise zone, the current minimum threshold 17 for job creation is two. And there are health 18 insurance requirements, but there is no average 19 wage requirement. 20 COMMISSIONER ANDERSON: So I think 21 it addresses some of the concern on small 22 business especially, enhanced enterprise zone 23 would kick in. 24 CO-CHAIRMAN STOGEL: Just the form 25 14 on the credit we're talking about reflects in</p>	<p>1 budget. So it'd be one thing we could eliminate 2 and free up some room in the budget. 3 But enhanced enterprise zone is 4 tied to distressed areas just like this would be, 5 so the only question I would have, Sallie, and I 6 haven't gone back to look at it, is how much of a 7 difference is there between the definition of a 8 distressed area for enhanced enterprise zones 9 versus this remedial jobs investments? Or 10 Brownfield jobs investments? 11 MS. HEMENWAY: Both are based on 12 population and poverty. Enhanced enterprise zone 13 requires a finding of blight, but if you're in a 14 Brownfield area, you're likely going to be able 15 to accomplish a blight finding. 16 The enhanced enterprise zone has 17 two components in it, it has a local benefit 18 which is property tax abatement, and then it has 19 the state tax credit available as well. 20 And as Mr. Anderson pointed out, 21 the thresholds for the credit are only two jobs 22 need to be created, and no, there is no wage 23 threshold or restriction, but there is a 24 requirement that the company offer health 25 insurance.</p>

Page 41	Page 43
<p>1 REPRESENTATIVE FLOOK: Okay. But 2 then, so really, then, the finding of blight 3 would be the significant difference, the health 4 insurance would be a significant difference which 5 isn't necessarily bad, necessarily so, wouldn't 6 necessarily drive off a good applicant, and then 7 the third thing would be just on the tip of my 8 tongue. The third difference would be finding of 9 blight, the health insurance -- 10 SENATOR WRIGHT-JONES: Wages. 11 MS. HEMENWAY: No wages. 12 REPRESENTATIVE FLOOK: There is no 13 wage requirement. Okay. 14 COMMISSIONER ANDERSON: Again, I'm 15 trying to reach the same objective and same 16 conclusion, but if there's a way to consolidate, 17 certainly I think we would all agree to that. 18 And I guess I just make the point I think the 19 objective could be achieved with enhanced 20 enterprise which already exists. 21 Obviously we'd have to have 22 enterprise zone designation, but I don't see that 23 being an issue either. I'm just saying if, in 24 fact, this group would say this is, in fact, one 25 we can consolidate, I think there's a tax credit</p>	<p>1 stacking of multiple state incentives, there was 2 a lot of discussion around that, unless the 3 project generates fiscal impact to the state. 4 Require a positive return on 5 investment over a six year period, and impose the 6 statutory clawback requiring repayment of the 7 value of the credits in the event the estimated 8 jobs do not materialize. 9 CO-CHAIRMAN GROSS: Senator, would 10 you make that in form of a motion? 11 SENATOR WRIGHT-JONES: So moved. 12 CO-CHAIRMAN GROSS: Second? 13 COMMISSIONER VAN MATRE: Second. 14 CO-CHAIRMAN GROSS: Second by Mr. 15 Van Matre and a question. 16 COMMISSIONER VAN MATRE: By 17 "positive return," are you just saying more than 18 one to one? 19 SENATOR WRIGHT-JONES: Yes, we are. 20 Troy, you still there? 21 COMMISSIONER NASH: Yes, I am. 22 SENATOR WRIGHT-JONES: On the 23 Brownfield remediation we talked about what a 24 positive return was more than one to one. Would 25 you refresh my memory on what we decided on that?</p>
Page 42	Page 44
<p>1 that addresses the employment and the economic 2 impact need that we're talking about here. 3 CO-CHAIRMAN GROSS: I'm going to 4 park this issue until the end of this committee's 5 report. We won't go to another committee, but 6 Steve is doing a little mental exercise on this, 7 and others are as well. Let it sit in -- park 8 that one until the end of this committee report 9 and move on to the Brownfield remediation. 10 SENATOR WRIGHT-JONES: Okay. All 11 right. All right. Kind of in tandem here we 12 recommend that we modify Brownfield tax credit to 13 impose an annual cap on tax credit authorizations 14 under the program equal to the average amount 15 authorized under the program during the last 16 three fiscal years, which would be \$25 million. 17 Benefit there, it would provide 18 greater budget certainty and control for the 19 state without jeopardizing the effectiveness of 20 the program. 21 Let's move down to the other 22 recommendations. To improve would be to reduce 23 the amount of credit available for soft costs 24 from 25 percent to -- from the current 100, hard 25 costs would remain the same at 100. Prohibit the</p>	<p>1 COMMISSIONER NASH: Well, with 2 respect to the recommendation, you've gone 3 through it a little bit, but it was a healthy 4 program. There was a significant return on the 5 investments there. You went through the first 6 part of the recommendation, would you like for me 7 to go through the other four components? 8 SENATOR WRIGHT-JONES: Well, we 9 went through that, but the question is on the 10 second to the motion is what do we consider a 11 positive return on investment? And I'm looking 12 at our -- Van Matre's sheet that he so generously 13 provided for us. 14 Oh, I probably need to look at form 15 14. It is defined as more than one to one. So 16 anything above that is considered positive at 17 this point. Unless you're interested in creating 18 a definite figure there. 19 COMMISSIONER VAN MATRE: But it 20 needs to be one to one based on a REMI analysis, 21 R-E-M-I analysis, is that what you're saying? 22 SENATOR WRIGHT-JONES: Yes. 23 COMMISSIONER VAN MATRE: I guess 24 I'd like to modify just that line and say more 25 than one to one on a REMI analysis is what we</p>

Page 45	Page 47
<p>1 mean by "positive return," and I think it's a 2 good motion. 3 SENATOR WRIGHT-JONES: Okay. 4 CO-CHAIRMAN GROSS: Is that an 5 amendment to the motion? 6 COMMISSIONER VAN MATRE: Yes. 7 CO-CHAIRMAN GROSS: Do we have a 8 second to that amendment to the motion? 9 SENATOR WRIGHT-JONES: Second. 10 CO-CHAIRMAN GROSS: Okay. 11 Discussion on that amendment to the motion? 12 CO-CHAIRMAN STOGEL: What does DED 13 do now? 14 MS. HEME: That. 15 CO-CHAIRMAN STOGEL: That's what 16 you do now? 17 MS. HEMENWAY: That. 18 CO-CHAIRMAN STOGEL: Okay. 19 CO-CHAIRMAN GROSS: All in favor 20 say aye? 21 (AYE.) 22 CO-CHAIRMAN GROSS: Opposed no? 23 (NO RESPONSE.) 24 CO-CHAIRMAN GROSS: Adopted 25 amendment to the motion.</p>	<p>1 Senator, we can consolidate and -- that can be 2 certainly consolidated into enhanced enterprise 3 zone. Would not impact the program, we're still 4 well underneath the cap for an enhanced 5 enterprise zone. Steven has those exact numbers 6 in terms of what has been used, but I think 7 flexibility exists to accomplish what we want to 8 accomplish within the enhanced enterprise zone. 9 CO-CHAIRMAN STOGEL: The facts are 10 always helpful. The enhanced enterprise zone has 11 a \$24 million annual cap. In FY '09, there were 12 30 projects with 31 certificates issued for \$9 13 million. Make that \$807,000. In FY '10, they're 14 estimating 12 million 850 of authorizations, but 15 only -- let me back up. 16 Nine million 807 was authorized in 17 '09, and 2 million 262 was issued. In FY '10, 18 the number was projected at 12 million 850 for 19 authorizations, and 4 million issued all against 20 the \$24 million cap. 21 So the program is used 22 significantly more than the Brownfield 23 investment. Maybe the solution is to consolidate 24 the programs because they're one and the same 25 geographically, and think about, because there's</p>
Page 46	Page 48
<p>1 SENATOR WRIGHT-JONES: I so move 2 the Brownfield remediation report as written with 3 the amendment. 4 COMMISSIONER VAN MATRE: Second. 5 CO-CHAIRMAN GROSS: Motion and a 6 second by Mr. Van Matre. 7 COMMISSIONER NASH: Second. 8 CO-CHAIRMAN GROSS: We have a 9 motion and a second to adopt the recommendation 10 on the Brownfield remediation tax credit. 11 Discussion? 12 (NO RESPONSE.) 13 CO-CHAIRMAN GROSS: All in favor 14 say aye? 15 (AYE.) 16 CO-CHAIRMAN GROSS: Opposed no? 17 (NO RESPONSE.) 18 CO-CHAIRMAN GROSS: The ayes have 19 it and that is adopted. 20 COMMISSIONER ANDERSON: Do we want 21 to cover that No. 1, or do we want to cover it 22 under the economic -- 23 CO-CHAIRMAN GROSS: Everybody ready 24 to go back to No. 1 again? 25 COMMISSIONER ANDERSON: I do think,</p>	<p>1 a huge gap between authorized and issued, 2 lowering the \$24 million cap some, still allow 3 for growth on the small businesses, and make the 4 administration easier. 5 So there's no magic in the numbers, 6 but if 24 became 15, there seems to be lots of 7 room to put the two programs together. Because 8 the actual issued credits were 4 million and 10, 9 2 million 262 in '09, and when we add from the 10 first -- the Brownfield job and investment 11 programs, you're in the \$2 million range. So 12 there would be a 6 million of issued credits 13 against a cap of 16 down from 24. 14 REPRESENTATIVE FLOOK: Steve, are 15 you actually -- when you read that data, it 16 reminded me of one point I had a couple years ago 17 looked at some of that data. We had looked at 18 EEZ and how underutilized it was, and we're 19 asking questions about how to get more people to 20 use it. 21 So that had come up before, and 22 that just reminded me of that conversation. So 23 maybe this might be a way of consolidating and 24 getting the Brownfield investors to start looking 25 at EEZ more often than they have.</p>

Page 49	Page 51
<p>1 COMMISSIONER LEVI: We did have a 2 recommendation in the economic development 3 subcommittee under enhanced enterprise zone that 4 said consider amending to provide a more flexible 5 definition of distressed communities that would 6 include extreme situations of blight and economic 7 obsolescence. 8 REPRESENTATIVE FLOOK: The finding 9 of blight was always the thing that came up that 10 folks wanted to either eliminate or lower the 11 bar. 12 COMMISSIONER ANDERSON: I make a 13 motion we consolidate this program into the 14 enhanced enterprise zone tax credit program. 15 CO-CHAIRMAN GROSS: That's a 16 motion. Let's have a second for discussion. 17 COMMISSIONER LEVI: I second. 18 CO-CHAIRMAN GROSS: Pete seconds it 19 for discussion. Senator Wright-Jones? 20 SENATOR WRIGHT-JONES: I just don't 21 want to lose any of the benefits that could inure 22 to the worker here in the program. That's my 23 concern. And EEZ is not designed for that, if 24 and we have to make some legislative changes in 25 order to have that, as long as it can contain</p>	<p>1 wage is not a component of the enhanced 2 enterprise zone. 3 REPRESENTATIVE KOMO: I think the 4 question is do you think it's going to be an 5 issue with the Brownfield issue or anything? Are 6 we going to have any kind of drawback from being 7 able to do some of these projects? 8 MS. HEMENWAY: There is no 9 connection. If you consolidated this part, this 10 jobs and investment component, you would not lose 11 or impact the ability to proceed with remediation 12 projects. You could still do Brownfield 13 remediation. 14 REPRESENTATIVE KOMO: That's my 15 only concern. Got a lot of those issues. Thank 16 you. 17 SENATOR WRIGHT-JONES: I am 18 comfortable. Troy, are you okay? 19 COMMISSIONER NASH: Yes. I'm okay. 20 CO-CHAIRMAN GROSS: Okay. Further 21 discussion on the motion? 22 (NO RESPONSE.) 23 CO-CHAIRMAN GROSS: Seeing none, 24 all in favor say aye? 25 (AYE.)</p>
Page 50	Page 52
<p>1 that we can work on the floor to have some -- 2 some of the health care, and Sallie was talking 3 to me about the employer's responsibility under 4 EEZ, so -- 5 MS. HEMENWAY: The employer's 6 responsibility under EEZ is required -- health 7 insurance is a requirement in order to be 8 eligible for that program. So that benefit is 9 transferred or inured under the -- under the 10 enhanced enterprise zone. 11 The -- the -- when you talk about 12 the benefits related to the employees, there are 13 benefits provided under jobs and investment for 14 people that are difficult employ. There are not 15 those same types of benchmarks under -- under the 16 enhanced enterprise zone; however, the trade-off 17 is that there are no thresholds. 18 There's only two new jobs that you 19 have to create, where here you have to get -- you 20 have to get to -- you have to get to a higher 21 threshold in order to be eligible. So your -- 22 there is a trade-off in addressing -- 23 COMMISSIONER ANDERSON: Certainly 24 not the average county wage? 25 MS. HEMENWAY: Right. The average</p>	<p>1 CO-CHAIRMAN GROSS: Opposed say no? 2 (NO RESPONSE.) 3 CO-CHAIRMAN GROSS: Motion is 4 adopted. 5 Now we're on to -- 6 COMMISSIONER WOOD: Will we come 7 back to the cap on enhanced enterprise zone under 8 income development? Okay. 9 CO-CHAIRMAN GROSS: Now on to 10 distressed area land assemblage. 11 SENATOR WRIGHT-JONES: Okay. Of 12 course, the data has not come in yet on this 13 program because it hasn't been used very much, so 14 our recommendations pretty much are as follows. 15 Impose a clawback provision that requires 16 repayment in the event the redevelopment project 17 does not occur. Exclude from eligible costs 18 environmental assessments, demolition, and 19 maintenance costs, that could be -- that could 20 tag up discussion. 21 Require that the amount of tax 22 credit cannot exceed 50 percent -- I mean, you 23 know, it could. Require that the amount of the 24 tax credit cannot exceed 50 percent of either the 25 lesser of the most recent appraisal or the</p>

1 county's assessor's appraised value. Could be
2 more discussion.

3 Require the only land acquisition
4 occurring after the applicant has been
5 designated. The developer of record may be
6 eligible for tax credits. Limit the time period
7 or term of interest costs, loan fees, and closing
8 costs that may be eligible.

9 Eliminate the entitlement aspect of
10 the program and allow consideration of the return
11 on investment, and reduce the eligible cost to
12 three years from the current five.

13 CO-CHAIRMAN GROSS: Would you like
14 to make that in the form of a motion?

15 SENATOR WRIGHT-JONES: So moved.

16 CO-CHAIRMAN GROSS: Second?

17 COMMISSIONER VAN MATRE: Second.

18 CO-CHAIRMAN GROSS: We have a
19 second by Mr. Van Matre. Discussion?

20 COMMISSIONER HALL: This was a \$90
21 million program? Was there any discussion as to
22 the amount or caps or anything else? Personally,
23 I'm trying to reconcile also the elimination of
24 the entitlement which then makes it discretionary
25 type? Credit, was there any discussion as to the

1 amounts either in total or to any one user?

2 SENATOR WRIGHT-JONES: What is your
3 thought?

4 COMMISSIONER REEVES: Well, I just
5 wondered what kind of discussion went on that
6 relates to 90 million.

7 SENATOR WRIGHT-JONES: Well, it
8 hasn't been used, we don't have a lot of data,
9 not disturbing anything in the pipeline if we can
10 to kind of wait to see what comes up.

11 Sallie, can you help me?

12 MS. HEMENWAY: There is only one
13 existing project that is approved for the
14 program. The \$90 million is a cumulative cap,
15 it's not an annual cap. So the -- the thought
16 process obviously on this was, and the discussion
17 in the committee was to apply a stricter standard
18 to new applicants to allow the program to
19 accomplish large land mass acquisitions proposed
20 for redevelopment, but to do it with a more
21 tightly constrained means of providing a subsidy
22 for acquisition and other related activities.

23 But the cumulative cap was not
24 discussed, as I recall, in the committee and, you
25 know, it's everything moving forward beyond the

1 project.

2 SENATOR BARTLE: Mr. Chairman?

3 I'll tell you that the optics on this one do not
4 look good at all because you have the potential
5 of tens of millions of dollars going to one
6 developer. And I think this is a lightning rod
7 in the legislature.

8 Obviously, the legislature approved
9 it. There was one developer who was pushing it
10 very, very hard who is very politically active.
11 I don't think the way this -- this is set up, I
12 think that if you just pulled, you know, a subset
13 of Missouri taxpayers and described how this
14 thing works, I don't think they'd be very excited
15 about it.

16 And so, you know, to me I would ask
17 the question do our -- do competitor states, and
18 that's what we're constantly having to evaluate,
19 the contiguous states, do they have anything like
20 this? Do we really need this in our tax credit
21 arsenal to compete effectively with the other
22 states?

23 SENATOR WRIGHT-JONES: I think when
24 we were designing this, it was difficult to get
25 the horse back in the barn, but we can look at

1 the other horses out in the field, okay? There's
2 not much we can do at this point, but anything
3 that's coming we have the ability to trim the
4 program and make it more effective and more
5 judicious, I suppose.

6 COMMISSIONER WAGNER: Mr. Chairman
7 from the optics standpoint, I agree with Senator
8 Bartle. I've spent time with historic tax credit
9 subcommittee, and we have spent a considerable
10 amount of time talking about caps and limits, and
11 so it seems to me that if we're going to be
12 credible with respect to that discussion, we
13 ought to discuss that with respect to this
14 particular credit.

15 Now, the cumulative cap is one
16 thing, an annual cap may get it, the optics
17 related to the historic tax credit subcommittee,
18 but also what Senator Bartle raises. So I put
19 that out there for discussion.

20 COMMISSIONER VAN MATRE: I just got
21 a couple more questions. One, it sounds like
22 Senator Bartle is saying that perhaps this credit
23 ought to be abolished and prospectively as
24 opposed to just tweaked. A, do we discuss that?
25 B, the state is going to have a substantial

1 investment in the land assemblage, but other than
2 clawbacks, did the committee discuss the idea
3 that the state would preserve ownership of its
4 portion of the land purchased, and in effect
5 leaks it to the developer for -- so we get some
6 kind of return on this taxpayer's investment.
7 Were either of those concepts up for discussion?

8 SENATOR WRIGHT-JONES: We had
9 discussion about that. We had discussion about
10 that. And we had several iterations of this
11 report and we went softer. We could go harder.

12 Sallie, if you want to bring any
13 thoughts into that?

14 MS. HEMENWAY: Mr. Van Matre, the
15 retrospective conversation was taken off the
16 table because the program is an entitlement and
17 because the applicant is already approved. That
18 approval in this program, you meet a series of
19 benchmarks and you are approved for the -- as
20 many tax credits as you can accomplish until you
21 hit the cumulative cap.

22 It is set that you cannot -- anyone
23 cannot receive more than \$20 million in one year,
24 but the -- and -- and if more than one applicant
25 is approved, then they pro rata share of the cap

1 based on eligible costs.

2 So to apply a retrospective
3 purchase, or agreement, contract agreement was
4 not within the purview of the existing already
5 entitled awardee, but it certainly -- obviously,
6 it could be something that's added to the list of
7 prospective improvements to the program.

8
9 COMMISSIONER VAN MATRE: Well, I
10 think just speaking as somebody in the
11 hinterlands, I'd like to see this terminated and
12 not renewed as a concept because I think it's the
13 kind of thing that nobody can really understand
14 why the special benefits are being awarded to
15 already well-off people.

16 So you're really talking about
17 assembling land for some public purpose that the
18 government wants to get behind for some reason or
19 not, but award this to a private developer is
20 pretty hard for people to understand.

21 So I guess I'd be willing to move
22 that to the extent that this credit can be
23 abolished prospectively without breaching
24 whatever terms or agreements have been made with
25 the existing developer, that that ought to be our

1 recommendation.

2 CO-CHAIRMAN GROSS: I think that
3 has a substitute motion. Do we have a second for
4 that motion?

5 COMMISSIONER ANDERSON: I second.

6 CO-CHAIRMAN GROSS: Second by Mr.
7 Anderson. Discussion?

8 SENATOR WRIGHT-JONES: Let me say
9 on behalf of the City of St. Louis, we have got
10 to remove the monster in the equation and look at
11 this benefit to the city. As I mentioned before,
12 the bulk of our land in the city, the City of St.
13 Louis proper is 25 by 125. Small, narrow lots.

14 The ability to assemble it, to
15 create whatever, is very, very important to our
16 economic life and to our neighborhoods. I would
17 not want to disband the program because someone
18 took advantage of it, quite frankly, I would
19 rather see it be fined so that those things could
20 not happen in the future and we yet have a tool
21 that we can use to create more economic activity
22 in our city.

23 I think it would be very -- and I'm
24 looking at other people around the table here,
25 Tom and others, I would certainly like to hear

1 what they have to say, but the developer could be
2 anyone. It could be a -- it could be a
3 government. It could be anyone.

4 I don't think we need to throw the
5 baby out with the bath water here, and we can't
6 look back, that's done. There may be something
7 we can do about that, but let's don't get rid of
8 the program because it was abused. Let's just
9 put the right limits in the program so that that
10 doesn't happen in the future.

11 Tom, do you have any concerns here?

12 COMMISSIONER REEVES: Yeah, no, I
13 don't disagree with that. I don't disagree with
14 the senator. I was also looking at -- at
15 expiration here, it looks like no new
16 authorizations past 2013. That may take care of
17 everything anyway.

18 SENATOR WRIGHT-JONES: It very well
19 could, but. I'm certainly open to making --

20 REPRESENTATIVE FLOOK: I will add
21 this perspective. I was, as Senator Bartle, I
22 served in the house when this first passed, and I
23 was -- I carried House Bill 191 which actually
24 increased the use of the incentive from 10
25 million annually to 20 million annually.

1 And I -- you know, at the time we
2 passed this bill, I will tell you, it's an
3 interesting story, I thought it was a really
4 rough ride, and it was pretty well fought out.
5 Senator Bartle, among others in the senate,
6 really, really attacked it.

7 It was not something that was a
8 light vote, a lightly taken vote. I will tell
9 you it had a lot of people analyzing and
10 criticizing it, had a lot of press. In fact,
11 someone wanted to modify it last year, and I told
12 them no. They wanted to expand its application.

13 And a lobbyist who worked the issue
14 said in his 30 years, it was the worst experience
15 on a bill he ever had.

16 So I thought, you know, that means
17 that this is a hot topic because it involves --
18 and many of you -- how many have even seen the
19 proposed development, actually seen the --
20 probably several of you have.

21 It's intended to be a
22 transformational event in downtown St. Louis, and
23 that was why myself and others got behind it. I
24 didn't even know the people that were behind it
25 until after I had already voted on it, frankly,

1 myself, but the -- the point is, is that there's
2 a major project under way.

3 There is a -- there is a expiration
4 date on the program. There's already some
5 litigation I guess still on the books relating to
6 this. I think that before we can completely
7 abolish it, we need to ask another question, and
8 that is how far into this development is it right
9 now? There's a lot of land that's been purchased
10 and assembled.

11 I think prospectively, I think on
12 its face prospectively the legislature can and
13 should have the power to end the program if they
14 want to, but at the same time this whole thing
15 was designed as a long-term project in mind.

16 Does the developer or the parties
17 interested in this actually have standing on a
18 challenge that wouldn't normally apply to other
19 programs? Because they're already in the
20 program. So -- and we already know what it's
21 going to involve.

22 So I think that the complexity of
23 abolishing it is far greater practically than it
24 might appear on its face. Now, I haven't
25 analyzed it legally, but it begs the question --

1 CO-CHAIRMAN GROSS: But the
2 question I have is if -- if we're under agreement
3 that prior approved projects are not going to be
4 impacted by the decisions that the Commission
5 makes, then we can just forget the existing
6 project. I mean in terms of our discussion.
7 That's off the table. That's done.

8 I think the only place we're
9 talking about is if somebody else comes along and
10 wants to utilize this land assemblage program,
11 should it be there and available for them? In my
12 opinion --

13 REPRESENTATIVE FLOOK: Probably
14 not.

15 CO-CHAIRMAN GROSS: Probably not.
16 The -- I will say in somewhat of defense of the
17 program, at least they got the target right. The
18 target is -- of this program is the right place
19 to go. It is hitting an area that I don't know
20 how they're going to fix it and how they're going
21 to redevelop it.

22 I disagree with the richness of the
23 program, and I think it is -- it was -- all of
24 you guys are right in the way the thing happened
25 and it was jammed through and it was not from an

1 economic development standpoint thought out well,
2 but they got the right target. This program
3 needs to go away, and another one needs to come
4 in in its place.

5 REPRESENTATIVE FLOOK: I would say
6 while -- on a -- just an outright abolition, I
7 would vote no on that motion, but what I do think
8 certainly needs to happen is that there are some
9 questions about whether or not this development
10 is ever going to get off the ground, and that
11 very real questions -- and I think it would
12 absolutely be the right thing to do to make sure
13 that the legislature looked at the program, to
14 say if those benchmarks aren't met, we're not
15 going to extend deadlines. We're not going to
16 modify it for you to come back. If this thing
17 dies on the vine, let it die on the vine.

18 I think that would be -- I think
19 that would be a good compromise approach because
20 if -- there's been several years now to get off
21 the ground on this, and -- in St. Louis, and I
22 think we did it that way -- we may end up with an
23 early expiration because I guarantee what's going
24 to happen is they're not going to hit their
25 benchmark, and come back and say we want to

Page 65	Page 67
<p>1 extend this.</p> <p>2 That's the real challenge, and I</p> <p>3 think that we would have better legal standing</p> <p>4 for the state if we -- if the recommendation was</p> <p>5 to hold that line and not expand it and force the</p> <p>6 development investors to go out and come up with</p> <p>7 their own funds to bridge that gap, or else they</p> <p>8 have to take -- they have to, you know, cut bait</p> <p>9 and walk away. I think that -- that's where I</p> <p>10 would be on that issue.</p> <p>11 REPRESENTATIVE KOMO: My question</p> <p>12 is the motion was to eliminate the program</p> <p>13 completely at this point?</p> <p>14 COMMISSIONER VAN MATRE: No, that</p> <p>15 the -- my intent of the motion was not to get the</p> <p>16 state into a situation where it's breaching an</p> <p>17 implied contract, but rather that it be this, we</p> <p>18 are closing the door on this happening in the</p> <p>19 future, we are going to honor our commitments.</p> <p>20 REPRESENTATIVE FLOOK: At the end</p> <p>21 of the program. I misunderstood. I'm sorry.</p> <p>22 COMMISSIONER VAN MATRE: I don't</p> <p>23 intend to short circuit or to cause us to breach</p> <p>24 or to be in bad faith. But it shouldn't happen</p> <p>25 again without substantial revision, and it</p>	<p>1 CO-CHAIRMAN GROSS: Further</p> <p>2 discussion?</p> <p>3 COMMISSIONER LEVI: Does that mean</p> <p>4 that conceptually we disagree with the idea, or</p> <p>5 that it's something the legislature should review</p> <p>6 and come back with a different kind of land</p> <p>7 assemblage program?</p> <p>8 CO-CHAIRMAN GROSS: Somebody will</p> <p>9 have to read the report and put into it what they</p> <p>10 believe the intent is. We could add additional</p> <p>11 language saying whatever you want to that motion,</p> <p>12 but right now it would kind of be absent or void</p> <p>13 of further information.</p> <p>14 COMMISSIONER LEVI: The intent was</p> <p>15 correct, but the dollar amount the way this was</p> <p>16 put together was not optimal.</p> <p>17 CO-CHAIRMAN GROSS: That's my</p> <p>18 belief, yes. It certainly appears that the</p> <p>19 subcommittee recognized that and went pretty far</p> <p>20 to make some modifications and recommendations.</p> <p>21 So I think those are very good recommendations.</p> <p>22 CO-CHAIRMAN STOGEL: Are we saying</p> <p>23 there's a deal out there, we all know what it is,</p> <p>24 we know it's in litigation, it may or may not</p> <p>25 happen, and there's a course chartered with an</p>
Page 66	Page 68
<p>1 shouldn't be extended. And so that is exactly</p> <p>2 what you expressed is exactly the sense of my</p> <p>3 motion.</p> <p>4 REPRESENTATIVE FLOOK: I</p> <p>5 misunderstood. A sunset, that I would agree.</p> <p>6 CO-CHAIRMAN GROSS: Dee Joyner had</p> <p>7 a comment.</p> <p>8 COMMISSIONER JOYNER: Now I'm</p> <p>9 confused. The program is set right now to sunset</p> <p>10 in 2013? Is your motion to allow it to sunset in</p> <p>11 2013?</p> <p>12 COMMISSIONER VAN MATRE: My motion</p> <p>13 is that the statute be modified to say that</p> <p>14 anybody who has not been -- had not applied and</p> <p>15 gotten approved program as of the date, and I</p> <p>16 guess would be May 31 of 2011, is not allowed.</p> <p>17 They're not going to get anybody to allow it</p> <p>18 after that date.</p> <p>19 CO-CHAIRMAN STOGEL: One factor,</p> <p>20 there are no other applications pending before</p> <p>21 DED for this program. So everybody should have</p> <p>22 that baseline.</p> <p>23 CO-CHAIRMAN GROSS: Jim, you still</p> <p>24 good with the second on that motion?</p> <p>25 COMMISSIONER ANDERSON: Yes, I am.</p>	<p>1 implied contract, if not an explicit one?</p> <p>2 MS. HEMENWAY: There is already an</p> <p>3 approved application. They have already received</p> <p>4 benefits under the program. In the midst of the</p> <p>5 first and second year, there was a lawsuit filed</p> <p>6 and taken up, and the -- it is currently under</p> <p>7 litigation, but they are -- you know, they have</p> <p>8 been a recipient.</p> <p>9 And in this program when you make</p> <p>10 an application, you meet a series of benchmarks</p> <p>11 that are laid out in the statute, and then you</p> <p>12 can submit your receipts for tax credits through</p> <p>13 the life of the program and until you can --</p> <p>14 until you're no longer eligible for the credits.</p> <p>15 You don't get reapproved, in other</p> <p>16 words, every year we don't look to see if he's</p> <p>17 got the same amount of acreage and the same</p> <p>18 amount of ownership and the same -- every year</p> <p>19 they just simply submit more eligible costs for</p> <p>20 us to issue tax credits on.</p> <p>21 So the effectiveness of the</p> <p>22 amendment would not in my view apply to the</p> <p>23 existing applicant, it would apply to any new</p> <p>24 applicant, and then they would be able to</p> <p>25 accomplish their benefits pending the outcome of</p>

<p style="text-align: right;">Page 69</p> <p>1 the lawsuit throughout the remainder of the term 2 of the program. 3 SENATOR WRIGHT-JONES: Let me speak 4 once again -- I'm sorry, was somebody before me? 5 Because this project is entirely in the Fifth 6 Senate District, and those of you who know the 7 City of St. Louis, it's a 1400 acre hole just 8 north of the Dome. 9 So if this project has already been 10 approved should sink to the bottom of the well, 11 then there is nothing in place and there would be 12 no program in place to come in and to create a 13 new synergy there. We cannot allow 1400 acres of 14 the City of St. Louis to go fallow. 15 This is a horrible area. I mean, 16 there are some homes, very limited; some 17 businesses, very limited. The majority is vacant 18 lots that are overgrown and derelict homes or 19 boarded up homes. This is not what we want. 20 Something has to happen there. 21 And we need a structure and this 22 structure refined, and I will be more than happy 23 to carry the bill that would refine it and put 24 the limits in that we're all concerned about to 25 make it workable for somebody.</p>	<p style="text-align: right;">Page 71</p> <p>1 Sallie? And will happen or not by 2013. The 2 question is, is it a -- for -- other than that 3 project, is it a good enough piece of 4 legislation, thinking of all of other parts of 5 the state, that it should be continued taking out 6 the contract that exists? 7 REPRESENTATIVE FLOOK: I would say 8 -- I would say that this type of program should 9 be the exception. This is something that would 10 -- should -- I believe should only come along 11 once in a while, and it shouldn't become a 12 pattern. 13 So having the expiration in 2013 is 14 important because, without getting into the 15 details of how to make it better, just as a basic 16 global principle that this is a very rare 17 circumstance if we're talking about redeveloping 18 a very large chunk of an urban area, it's -- it's 19 a major event, major project. 20 We shouldn't be doing this on a 21 regular basis. So 25 years from now might be a 22 time to look at another major project. 23 SENATOR BARTLE: The answer in my 24 mind is a resounding no. I'll bet everybody at 25 this table -- Pete Levi, you set as chairman of</p>
<p style="text-align: right;">Page 70</p> <p>1 I don't think it will ever be 2 division that Mr. McKee has in mind if it goes in 3 the hole, but somebody could come in and get 4 pieces of it and do something. 5 We in the City of St. Louis, we're 6 47 percent of the general revenue here, and if 7 we've got a 1400 acre hole, that's going to cost 8 us more money than it would be if that land was 9 being viable and being used for something. 10 So I would prefer -- and the motion 11 is on the floor. I certainly am going to vote 12 against it, as the way I understand it not to get 13 rid of the program, allow it to sunset in 2013, 14 if nothing happens, it doesn't happen, but put in 15 place in our next legislative year those controls 16 that we're comfortable with that allow it to be 17 viable and above board. That's my plea. 18 CO-CHAIRMAN STOGEL: Can I ask that 19 Senator Bartle and the representatives -- I don't 20 know an awful lot about this bill. The 21 legislature passed it for a specific purpose, and 22 the question, putting that aside, is it a good 23 piece of legislation going forward? 24 Because the project that's out 25 there is entitled, has been approved, right,</p>	<p style="text-align: right;">Page 72</p> <p>1 our Chamber of Commerce. Can you think of tracts 2 of land in Kansas City that you would love to see 3 assembled so that we could do a major 4 redevelopment project? 5 I mean, I think all over this state 6 there are -- arguments can be made about this 7 tract of land or that tract of land. This is 8 better left for the private marketplace. 9 When this was passed, the only 10 reason in my recollection -- this borders on my 11 opinion, okay, so I'll -- that caveat. The only 12 reason we even left it open to any other 13 additional future project is to give it the 14 appearance that it was more than just for Paul 15 McKee. That's why we did it. That's just pure, 16 plain, and simple. 17 So I -- I was opposed to it when it 18 happened in the first place. Don't try to tell 19 somebody down in Springfield why the government 20 should be giving one developer \$90 million of tax 21 break to assemble land in St. Louis. 22 I mean, I'm sure that land has -- 23 there's a compelling argument to be made that it 24 should be redeveloped. But I think when our 25 taxpayers look at the government coming in and</p>

Page 73	Page 75
<p>1 making the choice about what land gets 2 redeveloped, that's a real problem. There's 3 nothing market based about it. 4 CO-CHAIRMAN STOGEL: Not to be a 5 delegate and never to root against somebody who 6 put their own time and effort into a project, but 7 if the project is stalled and 2013 comes, the 8 program ends. Just so I understand it. 9 MS. HEMENWAY: The way that the 10 statute is written is that they will accept no 11 new applications after 2013. It does not speak 12 to the abolition or the ceasing of the existing 13 approved applications at that time, it just says 14 that no new business -- 15 MR. PIEPER: I would just say that 16 the legislation says that no tax credits shall be 17 authorized after that date. I think that there 18 is a -- there could be an interpretation 19 authorized that is more similar to issue because 20 it's being used in reference to tax credits 21 themselves as opposed to the new applicant. 22 I think the way that we would -- 23 that it is currently being interpreted is that it 24 would mean no new applicants may be authorized. 25 CO-CHAIRMAN STOGEL: So if nothing</p>	<p>1 municipality, then there could be a developer of 2 record, it could be a different applicant under 3 that application. Assuming that they met all of 4 the other benchmarks. 5 CO-CHAIRMAN STOGEL: So it's 6 divisible? With the city's consent? 7 MR. PIEPER: It's whomever the city 8 designates as the redeveloper of record. They 9 are the one that can establish all the other 10 eligible requirements. 11 CO-CHAIRMAN STOGEL: I still don't 12 have a sense -- 13 REPRESENTATIVE KOMO: So what I'm 14 gathering here is even if it would sunset in 15 2013, the one person that has the tax credit now 16 that's been awarded to it, they can continue on 17 the process that they're going. They don't have 18 to come back, like I guess Representative Flook 19 said earlier, that they would have to extend the 20 sunset if he doesn't hit -- if for one reason by 21 2013, he hasn't taken all the tax credits, he 22 would have to extend it. But you're saying no, 23 he gets it through this duration regardless 24 because he's already been accepted? 25 MR. PIEPER: There's two things.</p>
Page 74	Page 76
<p>1 happens to 2013, and the project in Senator 2 Jones' ward is revived, all the money would go to 3 that project. 4 MS. HEMENWAY: Only those -- only 5 that amount that they qualify and can produce 6 eligible source documentations for those eligible 7 costs. 8 CO-CHAIRMAN STOGEL: And let's do a 9 hypothetical. What if the current development 10 plan is bogged down in the courts for a couple 11 years, what happens? And the second hypothetical 12 is what happens if, because it's happened once in 13 history before, a developer can't continue? Is 14 it bifurcateable, is it assignable, or does the 15 statute just sign off? 16 MR. PIEPER: The way that the 17 definition of an applicant is written in the 18 statute is based on a municipal authority 19 designating the -- an individual as the 20 redeveloper of record under an economic incentive 21 law like in this case the TIF law. 22 If the City of St. Louis or 23 whatever applicable municipal authority were to 24 designate someone else as the redeveloper of 25 record under ordinances enacted by the</p>	<p>1 The annual cap of 20 million still applies. 2 Currently some of that, and then there's the 3 cumulative cap of 95. Some of that cumulative 4 cap has already been exhausted last year so 5 there's a finite amount of dollars that this 6 particular applicant can achieve. 7 Whether they achieve it in, you 8 know, coming in this year for another 20 million, 9 the next year for another 20 million, but they -- 10 they are entitled to, assuming that there's no 11 other applicants, 95 million under this program 12 once they are approved. 13 REPRESENTATIVE KOMO: But once 2013 14 hits, what happens to that applicant? 15 MR. PIEPER: I think that under the 16 current interpretation, once they have been 17 authorized for tax credits, that they will 18 continue to receive tax credits until that \$95 19 million cumulative cap has been hit, but no new 20 applicants can be authorized after that 2013 21 date. 22 REPRESENTATIVE KOMO: Without any 23 new legislation in 2015, if we haven't hit the 24 95, they can still issue \$20 million in 2015? 25 Even without any new legislation, you're saying?</p>

<p style="text-align: right;">Page 77</p> <p>1 MR. PIEPER: To that applicant. 2 REPRESENTATIVE KOMO: Until they 3 hit the 95? 4 MR. PIEPER: That's correct. 5 CO-CHAIRMAN STOGEL: Just trying to 6 understand what we have. 7 MS. HEMENWAY: If he is the only 8 applicant at that time, and the -- the effective 9 sunset in the legislation which is 2013 occurs 10 with no other applicants, no other approvals, and 11 he is still submitting eligible costs related to 12 his project, the way the statute's written -- 13 MR. PIEPER: And I -- the only 14 addendum that I would make to that, and I alluded 15 to it a bit ago, the way that this statute is 16 currently interpreted, it refers to no tax 17 credits may be authorized after that 2013 date. 18 The question is whether authorized 19 means an authorization of an application, which 20 is how authorized is used in other tax credit 21 statutes, or if it was intended to actually mean 22 issued. So if -- if authorized were read to mean 23 issued, then no tax credits could be issued to 24 this applicant who's already been authorized 25 beyond that date.</p>	<p style="text-align: right;">Page 79</p> <p>1 at this table really understands enough about the 2 day-to-day complexity of the program. We know 3 it's a huge program for St. Louis. 4 I really think that the Commission 5 ought to think about asking the legislature to 6 look at the current state of affairs as to the 7 existing deal, and we can then have an opinion 8 whether other deals ought to qualify. 9 But this is involved with very 10 complicated legal issues with daily changing 11 facts, and this is way beyond what this 12 Commission can and should do because we are into 13 a legal issue with all sorts of contract issues. 14 And on the existing deal, we ought 15 to return it to the legislature for more 16 conversation, let the law stand, and then we can 17 decide whether it's a good enough program, or as 18 Senator Bartle and Senator [sic] Flook said, 19 allow it to continue for anything else. Because 20 other than that, I think we're way beyond our 21 scope. 22 COMMISSIONER ANDERSON: But there 23 is a germane motion on the floor. 24 CO-CHAIRMAN STOGEL: I understand 25 that.</p>
<p style="text-align: right;">Page 78</p> <p>1 However, if authorized is 2 interpreted as it is in other tax credit 3 statutes, it would be no other new applicants can 4 be authorized for tax credits. 5 CO-CHAIRMAN GROSS: Then I think 6 that is a great place for this Commission to go, 7 if you put some definition into that term 8 "authorized" in the statute. What should happen, 9 should we allow that one applicant to continue to 10 go on after 2013 and receive an authorization for 11 additional credits until they hit the 90 or 95, 12 whatever it is, million cap, or should authorize 13 mean no new credits allowed to be issued? 14 REPRESENTATIVE KOMO: But aren't we 15 reaching into the area of existing -- 16 CO-CHAIRMAN STOGEL: Do no harm. 17 REPRESENTATIVE KOMO: It could be 18 the other side of the coin, but then you're going 19 into an area where, you know, existing programs 20 that are there. 21 CO-CHAIRMAN STOGEL: I'd like to -- 22 I've really heard what Senator Bartle said, and 23 Representative Flook and Senator Gross about the 24 origin of the program. We are into an existing 25 deal with the do no harm. I don't think anybody</p>	<p style="text-align: right;">Page 80</p> <p>1 COMMISSIONER ANDERSON: It's a 2 valid motion, Mr. Van Matre made the motion. 3 COMMISSIONER VAN MATRE: I think 4 we're all saying the same thing. I really do. I 5 think my motion is that, and the way I intend it, 6 is that other than this one 1400 acres, I don't 7 want to see this concept used again in the state. 8 I don't care what the legislature -- they made a 9 deal, they need to stick with it, finish out this 10 1400 acres. Whatever they want to do on that is 11 their business, that's my idea. 12 Here on this motion is with respect 13 to this one project that has been approved and a 14 deal's been made and there's been financing 15 committed, we don't affect that with anything we 16 recommend, but it not be used ever again. That's 17 the substance of my motion. 18 CO-CHAIRMAN GROSS: Okay. Further 19 discussion? 20 SENATOR WRIGHT-JONES: I am 21 diametrically opposed to that because I am saying 22 that if we get the opportunity to take it back to 23 the legislature and give it new bones and new 24 flesh and make it workable, then the abuse that 25 occurred before will not occur again.</p>

Page 81	Page 83
<p>1 We have the ability to hold on to 2 that at this point. Again, for the City of St. 3 Louis. And we are not Kansas City because we are 4 a 66 square mile area with a very limited amount 5 of land to use productively, and we need tools in 6 order to do that and this is one of those things. 7 Now, we can clean it up, but to 8 throw it out completely I think is a step 9 backwards for us. 10 CO-CHAIRMAN STOGEL: I think, 11 Senator, what we're saying is as to the -- as to 12 the existing deal, it stays -- 13 SENATOR WRIGHT-JONES: Not even 14 talking about that. That's done. 15 CO-CHAIRMAN STOGEL: The second 16 part of the motion is that this put a program for 17 other sites in the state, be it the city or 18 elsewhere, and Mr. Van Matre's motion is it's not 19 a good program to be used elsewhere, but as to 20 the existing program, it's way beyond this 21 commission, and we ought to protect that 1400 22 acres and refer it back to the legislature. 23 SENATOR WRIGHT-JONES: That's not 24 what I'm hearing. 25 CO-CHAIRMAN STOGEL: But that's</p>	<p>1 COMMISSIONER VAN MATRE: Any other 2 site other than this site that's been approved 3 for this development. 4 SENATOR WRIGHT-JONES: Well, now, 5 okay. He doesn't control every piece of land. 6 He controls the bulk of it in that area. 7 CO-CHAIRMAN STOGEL: There's 1400 8 acres in the area. 9 SENATOR WRIGHT-JONES: There's 10 fourteen hundred acres. 11 CO-CHAIRMAN STOGEL: As I 12 understand it, the site is approved for 1400 13 acres, not the land he already owns. 14 SENATOR WRIGHT-JONES: What you're 15 saying is if he bottoms out, then somebody could 16 come back in and just do his 1400 acres? 17 CO-CHAIRMAN STOGEL: And the way 18 Chris has explained it, the city would have to 19 designate somebody else if that occurred. 20 SENATOR WRIGHT-JONES: That is how 21 that works. Tom, do you understand it that way? 22 Are you comfortable here? 23 COMMISSIONER REEVES: Yeah, I agree 24 with Craig, and I think all of us are on board 25 with that. The question is how do you get there.</p>
Page 82	Page 84
<p>1 what the motion is. 2 SENATOR WRIGHT-JONES: Is that what 3 it is? 4 CO-CHAIRMAN STOGEL: The issues is 5 as to the land that's in your district, this 6 Commission I think, the sense of it is, is 7 totally hands off because there's a contract. 8 SENATOR WRIGHT-JONES: Absolutely. 9 But what he said was he doesn't want to see the 10 program duplicated ever again in the future. 11 That's what I heard. 12 CO-CHAIRMAN STOGEL: There's only 13 two votes. Vote one is leave the existing 14 project alone -- 15 SENATOR WRIGHT-JONES: We can't -- 16 I don't even know why we're talking about that. 17 We can't do it. 18 CO-CHAIRMAN STOGEL: We can't, 19 that's the point. Right. And then the second 20 question is should the program exist for any 21 other sites? 22 SENATOR WRIGHT-JONES: But it 23 didn't say any other site except St. Louis. He 24 said a blanket across the board. And Craig, am I 25 understanding you correctly?</p>	<p>1 And you can, quite frankly, get there both ways. 2 Because if you take your 3 recommendation and say anything going forward has 4 to pass this screened that you all have proposed, 5 which pretty -- I mean, it's well thought out and 6 has a lot of meat in there that I think would be 7 difficult hurdles for most people to -- and then 8 you have the sunset in 2013, you're probably 9 going to end up in the same place. It's going to 10 disappear, and there probably won't be any new 11 applicants. 12 But I think what Craig is saying no 13 new applications accepted. That simple. The old 14 one -- the one that's been accepted is accepted. 15 It's designated and it is authorized. And no new 16 applications will be accepted. 17 CO-CHAIRMAN GROSS: I think the 18 general assembly would understand that language. 19 Now, the lawyers would have to write that in such 20 a way that it's -- you know, all the -- all the 21 requirements to specify who is, who isn't, and 22 all that, but I think that plain language as you 23 just stated would be easily understood. There is 24 an existing applicant, no more. 25 COMMISSIONER ANDERSON: If this</p>

Page 85	Page 87
<p>1 motion gets passed, obviously it would send a 2 strong signal. Basically the -- I'm 3 oversimplifying. The motion is instead of 4 sunsetting the program for new applications in 5 2013, we sunset it now. 6 SENATOR WRIGHT-JONES: Well, again, 7 that's the same net effect is that it goes away 8 forever, and how does a new developer get to do 9 anything with those 1400 acres if there is no 10 vehicle in which for him to do it? Are you 11 following me? 12 COMMISSIONER JOYNER: Isn't Chris 13 saying that under the current law, if this 14 developer goes away and the city designates 15 another developer to pick up the project and move 16 forward with it, that new developer would still 17 be eligible for this program under this, even if 18 we recommend -- 19 MR. PIEPER: Under Craig's motion. 20 I agree. 21 SENATOR WRIGHT-JONES: But we could 22 not go assemble other parcels of land in the city 23 for this purpose. Again, I am against that. I 24 am talking for my city, so let's vote. 25 CO-CHAIRMAN GROSS: I think the</p>	<p>1 (AYE.) 2 CO-CHAIRMAN GROSS: Opposed say no? 3 SENATOR WRIGHT-JONES: No. 4 CO-CHAIRMAN GROSS: The ayes appear 5 to have it. The ayes have it, the motion is 6 done. 7 Neighborhood preservation act. 8 SENATOR WRIGHT-JONES: Okay. Let's 9 look at the recommendations in the paragraph that 10 we modify the program to eliminate first 11 come/first serve requiring a lottery process. We 12 also recommend that they remodify the program to 13 expand eligibility to neighborhood associations 14 and other not-for-profit groups. 15 We further recommend that we reduce 16 the existing annual cap to 12 million from the 17 current 16 that reflects its usage, and also 18 would give us some more budget certainty which 19 has been a human cry throughout this process. 20 And then on the final page we 21 recommend that we require the resident of the 22 property to live in it after it's been rehabbed 23 for at least five years, or reimburse the state 24 for the amount of the pro rated share of the 25 value if indeed they do not.</p>
Page 86	Page 88
<p>1 motion is understood. We need a vote. Restate 2 the motion, please, then we'll vote. 3 COMMISSIONER VAN MATRE: Okay. My 4 motion is that with respect to the existing 5 project which is by me understood to be the 6 entire 1400 acres that is subject to the 7 redevelopment plan, that that 1400 acre plan and 8 redevelopment and the credits application to that 9 up to \$95 million be undisturbed. 10 But that other than that 1400 11 acres, no other use of this credit in a similar 12 fashion be allowed again, and that means no 13 application any other place for any other land 14 other than that 1400 acres. 15 CO-CHAIRMAN STOGEL: I would ask 16 one more modification. We also ask the 17 legislature to define authorized. Because this 18 program could run to 2020. 19 COMMISSIONER VAN MATRE: Well, I'm 20 -- 21 CO-CHAIRMAN STOGEL: I withdraw it. 22 Too complicated. 23 MR. ANDERSON: I second it. 24 CO-CHAIRMAN GROSS: Motion and 25 second, all in favor aye?</p>	<p>1 CO-CHAIRMAN GROSS: Would you make 2 that in the form of a motion? 3 SENATOR WRIGHT-JONES: So moved. 4 COMMISSIONER ANDERSON: Second. 5 CO-CHAIRMAN GROSS: And a second by 6 Jim Anderson. Discussion on the motion? 7 (NO RESPONSE.) 8 CO-CHAIRMAN GROSS: Hearing none, 9 all in favor of the motion say aye? 10 (AYE.) 11 CO-CHAIRMAN GROSS: Opposed say no? 12 (NO RESPONSE.) 13 CO-CHAIRMAN GROSS: The ayes have 14 it, motion is adopted. 15 New markets. 16 SENATOR WRIGHT-JONES: Okay. New 17 markets, we can no longer accept new equity 18 investments after July 1, which is already 19 passed. We recommend that it not be reauthorized 20 unless the federal new markets program has been 21 reauthorized. It was tied to that. 22 We also recommend that the general 23 assembly consider reauthorization. If it does 24 consider it, that we require a complete report 25 regarding its effectiveness, its list of</p>

Page 89	Page 91
<p>1 companies that received the loans, number of jobs 2 created, private investments made, and the costs 3 associated with fund management including fees 4 and professional services. 5 If we, again, reauthorize the 6 program, that a pricing floor for the tax credit 7 itself be established in order to increase the 8 efficiency of the program and thereby retain -- 9 obtain a greater return on investment. 10 CO-CHAIRMAN GROSS: Motion? 11 SENATOR WRIGHT-JONES: So moved. 12 COMMISSIONER ANDERSON: Second that 13 motion too. 14 CO-CHAIRMAN GROSS: Second by Jim 15 Anderson. Discussion? 16 (NO RESPONSE.) 17 CO-CHAIRMAN GROSS: Hearing none, 18 all in favor say aye? 19 (AYE.) 20 CO-CHAIRMAN GROSS: Opposed? 21 (NO RESPONSE.) 22 CO-CHAIRMAN GROSS: No? The motion 23 is adopted. 24 Rebuilding? 25 SENATOR WRIGHT-JONES: Rebuilding</p>	<p>1 looking at the revenue model on this one, it's 2 worse as time goes on. It starts off at a return 3 of 0.13 and then goes to 0.06, limited usage, and 4 it just doesn't seem like a program that needs to 5 continue. 6 SENATOR BARTLE: Mr. Chairman? I'm 7 going to -- I'll make a motion that we recommend 8 the elimination of this program. 9 CO-CHAIRMAN GROSS: Substitute 10 motion, do I have a second on the substitute 11 motion? I'll second the motion. For discussion? 12 Discussion. Senator Jones. 13 SENATOR WRIGHT-JONES: Absolutely. 14 Again, these are one of the tools that we use in 15 our urban areas to create, again, more economic 16 opportunity for businesses, individuals with 17 jobs. It would hurt us, again, to eliminate it, 18 especially in the City of St. Louis. Don't know 19 how it's being used in Kansas City or anywhere 20 else. 21 My feeling is that -- and there's 22 such similarities between the discussion we had 23 with our original report, maybe we can roll this 24 into something else. How does anybody feel about 25 that? Roll it into the enterprise zone. Is that</p>
Page 90	Page 92
<p>1 communities program, we are recommending that we 2 lower the current \$8 million cap to \$2 million 3 because that reflects historical usage in the 4 program. By doing that, we will again create 5 greater budget certainty within the state without 6 jeopardizing the worthwhile availability of the 7 program. It does serve quite a purpose, again, 8 in our urban communities. 9 We also recommend that we conform 10 to the Missouri quality jobs definition of a 11 qualified company by requiring that the average 12 wage of the new jobs created equal or exceed the 13 county average, this is some discussion we had 14 before, and by requiring that the company offer 15 health insurance, pay at least 50 percent of the 16 premiums for full-time employees, and again, 17 that's kind of reflective of our first discussion 18 which we will hear more about that. 19 But are there any concerns about 20 that on the table? 21 CO-CHAIRMAN GROSS: Motion? 22 SENATOR WRIGHT-JONES: So moved. 23 COMMISSIONER ANDERSON: Second. 24 CO-CHAIRMAN GROSS: Jim Anderson 25 seconds. Discussion? I will throw out that</p>	<p>1 possible? Would that make it too heavy to 2 operate? 3 CO-CHAIRMAN STOGEL: Under the 4 Rebuilding Communities Act, starting with form 5 14, in FY '09, there were 48 projects for \$2 6 million authorized, \$2 million issued. FY '10, 7 it's another \$2 million with 55 projects 8 programmed. 9 I'm reading this very fast, but it 10 seems that it overlaps a little bit with quality 11 jobs, and I'm going to put Sallie or Chris on the 12 spot by saying how is this different than 13 enhanced enterprise and different than quality 14 jobs? 15 I mean, a reduction from 8 to 2 is 16 something. It is being used at the \$2 million 17 level by a lot of folks somewhere. And does it 18 fit within enhanced enterprise or does it fit 19 within quality jobs? That's a question I have. 20 Don't know the answer. 21 COMMISSIONER ANDERSON: The reason 22 I seconded the motion was because of the two 23 changes, lowering the cap to 2 million and also 24 requiring the quality jobs requirement of average 25 county wage and health insurance. So seems to me</p>

<p style="text-align: right;">Page 93</p> <p>1 it's tightened the program significantly. 2 CO-CHAIRMAN GROSS: Further 3 discussion? 4 COMMISSIONER LEVI: What's the 5 answer to Steve's question? 6 CO-CHAIRMAN STOGEL: Can it be 7 combined with anything? 8 MS. HEMENWAY: Under this program 9 there's a series of tax credits, okay? There is 10 not a similarity in the benchmark of the number 11 of jobs that are required to gain access to the 12 program, okay? 13 There is not a similarity in the 14 requirement that the company provide health 15 insurance, and the -- there is not a similarity 16 in the requirement of a county average wage in 17 terms of the way the current rebuilding community 18 tax credit program is operated and the current 19 quality jobs program is operated. So they are 20 very different in those three major components. 21 The credit itself where quality 22 jobs is based on, you know, the incremental 23 increase of new jobs to the company, this one 24 provides a series of credits that include 25 benefits that both go to the employer for</p>	<p style="text-align: right;">Page 95</p> <p>1 eliminate the program -- seconded the motion. 2 I'm a little bit confused as to why 3 this is -- it's outside of quality jobs, it's 4 outside of enhanced enterprise. There are a 5 whole bunch of people who are using it. It's 6 designed to help both employees and businesses. 7 It's \$2 million a year, and it's 8 down from 8 million. But it doesn't fit into one 9 of the other pigeonholes, but there's a lot of 10 folks using it. 11 CO-CHAIRMAN GROSS: The question is 12 why is the return so low on this program? What 13 is the component that makes it so low? 14 MS. HEMENWAY: The major part of 15 the benefit is on the investment, not on the new 16 jobs, okay? So maybe part of the benefit is 40 17 percent of the total amount of investment, 18 equipment purchases and things like that. 19 It's -- it's -- if you look on -- 20 if you look on the back side of your form 14, you 21 can see the inputs that we use to value the 22 credit to derive the cost benefit analysis. 23 CO-CHAIRMAN STOGEL: Can you 24 explain the facts, Sallie, because that would be 25 appreciated.</p>
<p style="text-align: right;">Page 94</p> <p>1 equipment purchases and to the employee for their 2 -- for locating in a job inside a distressed 3 area. So they are getting a tax credit off of 4 their employee income tax. 5 And so there's two levels of 6 benefit in this where there is not two levels of 7 benefit in quality jobs. The benefit of quality 8 jobs goes only to the employer. 9 CO-CHAIRMAN STOGEL: Can quality 10 jobs be teamed up with this, one company get 11 both? 12 MS. HEMENWAY: No. 13 CO-CHAIRMAN STOGEL: Can one 14 company get both this program and enhanced 15 enterprises? 16 MS. HEMENWAY: They can get the -- 17 they can get the local benefit of the enhanced 18 enterprise zone, but I do not believe they can 19 get both the tax credits, the state tax credits. 20 I believe the rebuilding communities law 21 prohibits stacking. 22 CO-CHAIRMAN STOGEL: And there's 23 all sorts of companies out there that are now 24 getting this program, employees? So under the do 25 no harm principle, Senator Gross made a motion to</p>	<p style="text-align: right;">Page 96</p> <p>1 REPRESENTATIVE KOMO: So what 2 you're saying, Sallie, pretty much is that the 3 REMI model will not work on this program? 4 MS. HEMENWAY: Not saying it 5 doesn't work, I'm saying that the model -- that 6 the program is based on a percentage of capital 7 investment. Not tied to job creation. Job 8 creation provides a much higher driver of return 9 to the state than -- than capital investment 10 does. 11 There is return to the state on 12 capital investment when you're doing real 13 property improvements, but when you're doing -- 14 it diminishes when you're doing capital, when 15 you're paying for a benefit based on buying 16 equipment because most of the time that you buy 17 the equipment, the equipment isn't made in 18 Missouri. It's made elsewhere. 19 And the only thing that we're 20 receiving off of it is a -- is company personal 21 property tax or, you know, a -- and it's just not 22 a higher means to create a tax revenue for the 23 state than is a -- creation of a job. 24 So with the benefit focused mostly 25 on investment and lesser on the jobs, and with a</p>

1 benefit also tied to the employment, you know,
2 you're giving back to the employee their -- what
3 they're giving to the state. It diminishes that
4 return significantly.

5 COMMISSIONER WOOD: Is there
6 currently a sunset on it? I couldn't find one on
7 the form.

8 COMMISSIONER REEVES: This chart
9 says it expired.

10 COMMISSIONER WOOD: So there is no
11 sunset on it currently?

12 SENATOR WRIGHT-JONES: Well, again,
13 this focuses on small businesses relocating,
14 keeping their employees inside the distressed
15 community, benefits to the employees who come and
16 want to work there. And it's very beneficial for
17 a city like St. Louis, I mean --

18 COMMISSIONER REEVES: We've used it
19 with -- it's obviously a small business, it's \$2
20 million that can be used. We have seen it
21 leverage itself many times over. It doesn't show
22 up in any of the return charts. I support this
23 with certainly the adjustments that we've made.

24 SENATOR WRIGHT-JONES: If you want
25 to put a sunset on it, we can.

1 CO-CHAIRMAN STOGEL: I think that
2 we'll get to sunset as a separate subject.

3 MS. HEMENWAY: That's a mistake
4 where it says it's expired.

5 SENATOR BARTLE: Where the REMI
6 model is so bad, this ought to be low hanging
7 fruit for us. I mean, unless we're going to get
8 into purely anecdotal, I mean, we spent a lot of
9 time trying to understand REMI models.

10 If we're going to make any progress
11 in overall reduction of the tax credit liability
12 in the state, we are going to have to be willing
13 to say goodbye to programs we know are very low
14 yield. We'd probably be better off just writing
15 these 43 people a check than to go through the
16 elaborate process of this program.

17 CO-CHAIRMAN STOGEL: There's --
18 this is an unusual credit because both investment
19 and employees, but aren't employees picked up in
20 enhanced enterprise or quality jobs?

21 MS. HEMENWAY: The benefit on
22 enhanced enterprise zone and quality jobs goes to
23 the company, the employer, it does not go to the
24 employee.

25 CO-CHAIRMAN STOGEL: Are there any

1 other programs that go to employee, first
2 question; and second question is, do we know the
3 difference between investment dollars and
4 employee dollars out of the 2 million that's
5 present here?

6 MS. HEMENWAY: I can't think of
7 another program that has a benefit that directs
8 itself to the employee, and I do not have the
9 current breakdown of how the benefits that you're
10 --

11 SENATOR BARTLE: Earned income tax
12 credit. It's a federal tax credit.

13 MR. PIEPER: When -- in discussing
14 the derivation of benefits in the REMI, it has an
15 indication here in the right column of form 14
16 that there were -- there's \$4.8 million in
17 durable equipment spending in 2009 that were --
18 that are attributable to this tax credit.

19 But as Sallie indicated, even that
20 level of capital investment doesn't provide a
21 significantly positive, or positive at all REMI
22 score because there's no -- there's nothing tied
23 to the jobs.

24 MS. HEMENWAY: And it's the type of
25 capital investment that's -- real property

1 capital investment does have a significant impact
2 on -- and provide an economic return which turns
3 into a dollar return to the state.

4 This type of -- when you're buying
5 equipment, again, the equipment if it's not made
6 in Missouri -- if you're buying a computer that's
7 made in Nebraska and bringing it to Missouri and
8 providing a benefit to offset that purchase,
9 you're diminishing your return. If you buy
10 equipment made in Missouri, then you get a bigger
11 return.

12 CO-CHAIRMAN STOGEL: But the REMI
13 model aside, you've got \$4,800,000, sorry to do
14 this at this point, of capital investment of 40
15 percent credit is a million nine twenty out of
16 the \$2 million. And if you had 700 users, 740
17 users, we're talking about an average investment
18 of \$2500, 2592. So somebody must be doing, like
19 buying computers. Just reading off the form 14.

20 COMMISSIONER ANDERSON: Let's vote.
21 The motion is to abolish it, I think.

22 REPRESENTATIVE KOMO: That was the
23 substitute motion.

24 CO-CHAIRMAN GROSS: The question I
25 have before Sallie is what are -- who are the 740

Page 101	Page 103
<p>1 users?</p> <p>2 MS. HEMENWAY: Those are</p> <p>3 certificates, tax credits certificates issued.</p> <p>4 It could have been -- it's 48 or 55 projects of</p> <p>5 which we have issued 700 to 740 certificates. We</p> <p>6 issued certificates multiple times for the same</p> <p>7 project.</p> <p>8 COMMISSIONER LEVI: And those</p> <p>9 certificates go to individuals? Employees?</p> <p>10 MS. HEMENWAY: Some to employees,</p> <p>11 some to employer. This credit has embedded in it</p> <p>12 a series of other credits. One of them is an</p> <p>13 employee credit, and a couple of them are the</p> <p>14 employer credit.</p> <p>15 CO-CHAIRMAN STOGEL: It comes out</p> <p>16 to on a project basis, not a certificate basis, I</p> <p>17 stand corrected, it's about \$40,000 a project.</p> <p>18 If someone's buying \$40,000 of capital</p> <p>19 investment.</p> <p>20 CO-CHAIRMAN GROSS: Okay. We have</p> <p>21 a motion and seconds. Further discussion?</p> <p>22 COMMISSIONER LEVI: What's the</p> <p>23 motion?</p> <p>24 CO-CHAIRMAN GROSS: The motion is</p> <p>25 to abolish the program. Substitute motion, I</p>	<p>1 (NO.)</p> <p>2 CO-CHAIRMAN GROSS: Okay, it's</p> <p>3 close. We'll have a show of hands first. All in</p> <p>4 favor of the motion, please raise your hands and</p> <p>5 then we'll go to the phone. This is to abolish.</p> <p>6 We have eight in favor.</p> <p>7 Opposed say no, then we'll go to</p> <p>8 the phone. Six vote no.</p> <p>9 On the phone, would anybody like to</p> <p>10 vote yes or no on the substitute motion?</p> <p>11 COMMISSIONER MARBLE: Aye.</p> <p>12 CO-CHAIRMAN GROSS: Anybody else?</p> <p>13 Okay. Motion carries.</p> <p>14 CO-CHAIRMAN STOGEL: For the</p> <p>15 record, I don't know enough about it.</p> <p>16 CO-CHAIRMAN GROSS: That concludes</p> <p>17 the distressed communities report. Thank you,</p> <p>18 Senator. And we will stand at recess until 1:15.</p> <p>19 (Off the record.)</p> <p>20 CO-CHAIRMAN GROSS: Okay, Tax</p> <p>21 Credit Review Commission will come back to order.</p> <p>22 It's just about 1:15. Anybody on the phone? Mr.</p> <p>23 Kendrick has arrived. Glad you're here. Luana</p> <p>24 Gifford has arrived.</p> <p>25 Okay. Economic development ready?</p>
Page 102	Page 104
<p>1 apologize. Further discussion?</p> <p>2 CO-CHAIRMAN STOGEL: I don't -- I</p> <p>3 don't know about the geographic spread, but at</p> <p>4 the very least, I think it should be reduced. I</p> <p>5 don't know who's losing some support on a \$40,000</p> <p>6 program under the do no harm theory.</p> <p>7 I think anybody who already is in</p> <p>8 the program -- I want to make clear that anybody</p> <p>9 in the program who's got an application approved,</p> <p>10 but if it's prospective, I understand the motion,</p> <p>11 we've got a lot of people who spent money and are</p> <p>12 out there.</p> <p>13 CO-CHAIRMAN GROSS: I'm going to</p> <p>14 interject. Without objection, unless it's so</p> <p>15 specifically stated, every program that we're</p> <p>16 eliminating we will not be impacting any approved</p> <p>17 applicants. Okay? We have to have that</p> <p>18 understanding. Okay?</p> <p>19 Now we have a motion and a second.</p> <p>20 Any more discussion?</p> <p>21 (NO RESPONSE.)</p> <p>22 CO-CHAIRMAN GROSS: Seeing none,</p> <p>23 all in favor of the motion say aye?</p> <p>24 (AYE.)</p> <p>25 CO-CHAIRMAN GROSS: Opposed no?</p>	<p>1 COMMISSIONER LEVI: Yes, sir, Mr.</p> <p>2 Chairman. If you will refer back in your</p> <p>3 notebook to open items on page 9? We were</p> <p>4 charged at the last meeting to add a little</p> <p>5 specificity to some of our recommendations, and</p> <p>6 that is what I will go over.</p> <p>7 If you recall, we spent a lot of</p> <p>8 time talking about the preamble which were</p> <p>9 general provisions relating to all the tax</p> <p>10 credits dealing with economic development, and</p> <p>11 then some guiding principles. And then I think</p> <p>12 that was very important for our subcommittee</p> <p>13 because these are all economic development tax</p> <p>14 credit incentives that are designed to increase</p> <p>15 the revenue of the state by increasing the jobs</p> <p>16 and business growth in the State of Missouri.</p> <p>17 So we felt it very important that</p> <p>18 they be governed -- these recommendations be</p> <p>19 governed by a series of principles that we feel</p> <p>20 are important for the legislature to consider as</p> <p>21 they go through all of these recommendations.</p> <p>22 If you go to page 11, I'll start</p> <p>23 with the recommendations that have become the</p> <p>24 more specific items that we were requested to do.</p> <p>25 The first recommendation is -- we had talked</p>

Page 105	Page 107
<p>1 quite a bit about having an ideal toolkit, and 2 recommendation No. 1 has the same -- 3 CO-CHAIRMAN GROSS: Pete, let me 4 just, for those who are reading off of the 5 revised handouts that we have, that's on page 13. 6 COMMISSIONER LEVI: 11 I've got. 7 CO-CHAIRMAN GROSS: I've got 8 recommendation 1 on page 13. Oh, okay, no, 9 you're right. Page 11. I apologize. I added 10 some notes that threw my pagination off. 11 COMMISSIONER LEVI: Okay. So the 12 first recommendation deals with the general 13 toolkit. We spent a lot of time talking with 14 Chris and with Sallie about what an ideal toolkit 15 would look like for the state, and we recommended 16 that these four dots be included in our report as 17 kind of overall policy guidelines for the state. 18 I won't go through them, Senator, 19 unless you want me to. We've already talked 20 about them at the last meeting. 21 CO-CHAIRMAN GROSS: Right. Any 22 questions about those four? Otherwise, that's 23 his first recommendation. I'll take that as a 24 motion, right, Pete? 25 COMMISSIONER LEVI: Right.</p>	<p>1 page 10 starting with positive return on 2 investment, they include every tax credit should 3 give a positive return on investment, that it 4 should be a return that occurs within a defined 5 period of time. We said not to exceed ten years 6 unless it was for public infrastructure, in which 7 case we said it should be within twenty years. 8 Thirdly, they should focus on 9 primary jobs, meaning jobs which produce goods 10 and services in excess of what can be consumed 11 within the market. So it's bringing new money 12 into the State of Missouri. 13 Then rewarding higher paying jobs 14 with benefits, these tax credits should be geared 15 towards important jobs that will pay more, that 16 will provide health care insurance for their 17 employees. Next, local participation that, where 18 possible, these tax credits should consider cost 19 sharing with local governments particularly on 20 infrastructure improvements. 21 Next that they should be flexible, 22 that they should meet targeted high growth 23 industries and sectors, things that may change 24 over a period of time from year to year or 25 session to session. These tax credits should</p>
Page 106	Page 108
<p>1 CO-CHAIRMAN GROSS: Second? 2 COMMISSIONER KENDRICK: Second. 3 CO-CHAIRMAN GROSS: And we have a 4 second from? Who said that? 5 COMMISSIONER KENDRICK: David 6 Kendrick. 7 CO-CHAIRMAN GROSS: Very good. Any 8 discussion? 9 (No RESPONSE.) 10 CO-CHAIRMAN GROSS: Seeing none, 11 all in favor say aye? 12 (AYE.) 13 CO-CHAIRMAN GROSS: Opposed no? 14 (NO RESPONSE.) 15 CO-CHAIRMAN GROSS: Approved. Go 16 ahead. 17 COMMISSIONER LEVI: Recommendation 18 No. 2 dealt with the guiding principles, and I 19 don't see them on page 12. They were in -- I can 20 tell you what those guiding principles were. 21 There was a -- 22 MR. PIEPER: They're on page 9 and 23 10. 24 COMMISSIONER LEVI: I'm sorry, 25 they're back on page 9 and 10. Starting -- on</p>	<p>1 allow that flexibility to occur. They should be 2 simple and easy to understand so people involved 3 in the development have an easy time in working 4 through this. 5 They should include provisions for 6 up front financing, something we spent a lot of 7 time talking about. We -- and you'll see in a 8 couple minutes some of the recommendations on 9 these tax credits include using refundable tax 10 credits with clawbacks for non-performance to 11 achieve that up front financing. 12 Many of the tax credits are purely 13 entitlement. If you meet the requirements, 14 you're entitled to get a tax credit. A tax 15 credit, we have recommended that some of these 16 include both discretionary components as well as 17 entitlement components in order to meet some of 18 the flexibility requirements in some of the high 19 growth industries the state may be encountering. 20 And the last one is broad 21 applicability, tax credits that if they're 22 working appropriately, they provide incentives in 23 both rural and urban areas. So our second 24 recommendation would be that we include these -- 25 this preamble and the guiding principles in our</p>

<p style="text-align: right;">Page 109</p> <p>1 report.</p> <p>2 CO-CHAIRMAN GROSS: Is that a</p> <p>3 motion?</p> <p>4 COMMISSIONER LEVI: That would be a</p> <p>5 motion.</p> <p>6 CO-CHAIRMAN GROSS: Second?</p> <p>7 COMMISSIONER HALL: So moved.</p> <p>8 CO-CHAIRMAN GROSS: Second by Bill.</p> <p>9 Discussion. The only question I have -- I think</p> <p>10 these are great, and I said that at the last</p> <p>11 meeting. On the return on investment, did you</p> <p>12 all discuss having a shorter period to achieve</p> <p>13 that return on investment to less than 10 and 20</p> <p>14 to something more like five and 10?</p> <p>15 COMMISSIONER LEVI: Well, the 20 on</p> <p>16 infrastructure seemed to be the appropriate</p> <p>17 number because that might take a longer time to</p> <p>18 achieve than to occur. The 10 was -- I don't</p> <p>19 remember where we came up with 10.</p> <p>20 But we talked about five and 10,</p> <p>21 and decided 10 would be the most reasonable time</p> <p>22 within to achieve that, recognizing that some tax</p> <p>23 credits should produce a return in a shorter</p> <p>24 period of time, but the maximum should be 10</p> <p>25 years.</p>	<p style="text-align: right;">Page 111</p> <p>1 certainty to the development community that the</p> <p>2 developers could rely on, and that for that</p> <p>3 reason, development tax credits should not be</p> <p>4 subject to the appropriations process.</p> <p>5 Mr. Chairman, I don't know if you</p> <p>6 want to talk about that now or come back to it</p> <p>7 with the global issues committee.</p> <p>8 CO-CHAIRMAN GROSS: I'd prefer to</p> <p>9 wait on that.</p> <p>10 COMMISSIONER LEVI: Okay.</p> <p>11 CO-CHAIRMAN GROSS: So we'll mark</p> <p>12 that recommendation for now.</p> <p>13 COMMISSIONER LEVI: Then we went</p> <p>14 into the nine individual tax credits that our</p> <p>15 committee was assigned and made some changes and</p> <p>16 recommendations here.</p> <p>17 The first one in BUILD, we</p> <p>18 recommended that the minimum threshold for</p> <p>19 eligibility in the BUILD program be reduced to</p> <p>20 250 jobs from 500, or 150 jobs from 250 jobs in</p> <p>21 distressed areas for office project, and 75 new</p> <p>22 jobs from 100 jobs for manufacturers.</p> <p>23 The reason was this is primarily</p> <p>24 for infrastructure improvements for major</p> <p>25 employers, but in order to get greater</p>
<p style="text-align: right;">Page 110</p> <p>1 CO-CHAIRMAN GROSS: Okay. And the</p> <p>2 return is the one to one return minimum of --</p> <p>3 COMMISSIONER LEVI: At least.</p> <p>4 CO-CHAIRMAN GROSS: Probably says</p> <p>5 that in there.</p> <p>6 COMMISSIONER LEVI: We talked about</p> <p>7 using the REMI model since that's what most</p> <p>8 states use.</p> <p>9 CO-CHAIRMAN GROSS: Any further</p> <p>10 discussion on the motion?</p> <p>11 (NO RESPONSE.)</p> <p>12 CO-CHAIRMAN GROSS: Seeing none,</p> <p>13 all in favor say aye?</p> <p>14 (AYE.)</p> <p>15 CO-CHAIRMAN GROSS: Opposed no?</p> <p>16 (NO RESPONSE.)</p> <p>17 CO-CHAIRMAN GROSS: The ayes have</p> <p>18 it and it is adopted.</p> <p>19 COMMISSIONER LEVI: Okay.</p> <p>20 Recommendation No. 3 is one that we also spent a</p> <p>21 lot of time talking about, and it's something</p> <p>22 that the global issues committee has talked about</p> <p>23 as well, but particularly as it relates to</p> <p>24 development of tax credits, the committee felt it</p> <p>25 was very important to show some degree of</p>	<p style="text-align: right;">Page 112</p> <p>1 participation in this program, it seemed like it</p> <p>2 would make sense to lower that threshold as</p> <p>3 indicated in that report.</p> <p>4 So that is recommendation No. 4,</p> <p>5 and I would so move.</p> <p>6 COMMISSIONER ANDERSON: Second.</p> <p>7 CO-CHAIRMAN GROSS: Motion and a</p> <p>8 second. Senator Bartle?</p> <p>9 SENATOR BARTLE: Would that have a</p> <p>10 positive fiscal note? The only way it would is</p> <p>11 if there was cap that's not being used that would</p> <p>12 otherwise now being used.</p> <p>13 COMMISSIONER LEVI: I don't think</p> <p>14 we're at the cap.</p> <p>15 SENATOR BARTLE: No, the cap's</p> <p>16 coming next.</p> <p>17 CO-CHAIRMAN STOGEL: I want to talk</p> <p>18 about -- I'm going to be a little inconsistent on</p> <p>19 some of these credits, but part of the governor's</p> <p>20 charge was to find a way to create new jobs.</p> <p>21 This is a program that has a \$25</p> <p>22 million cap and it scores extremely well on the</p> <p>23 REMI model. It's way more than a dollar for</p> <p>24 dollar payback. According to the chart, it's \$7</p> <p>25 at the payback.</p>

Page 113	Page 115
<p>1 The notion of allowing growth in 2 the program accepting these recommendations, but 3 still lowering the cap could work both ways. 4 Your usage in 2009 was \$8 million of authorized, 5 5 million of redeemed. 2010 is projected to be 6 \$8 million in each category, and in 2008 it was 7 \$7.5 million in each category. 8 So taking a \$25 million cap down 9 some and adopting these other recommendations 10 seems to be well within the charge. It's a 11 program that meets the one to one test, has extra 12 capacity for budgeting purposes that we could 13 shrink, but still allows people to grow into it 14 with these lower standards. 15 SENATOR BARTLE: But if we do that, 16 I think it has to count against whatever goal 17 we're trying to achieve because that will result 18 in a net addition to the overall tax credit 19 liability for the state. 20 COMMISSIONER LEVI: Yes, but it 21 would still be within the authorized cap. 22 SENATOR BARTLE: I don't dispute 23 that, but the -- if, you know, if the cap's up 24 here and historically it's been used down here, 25 that doesn't help us with our charge. Our charge</p>	<p>1 got authorized. Because at the end of the day 2 if, you know, if we end up with a package that 3 has increased utilization of existing tax 4 credits, we have actually -- we could potentially 5 increase the tax credit liability of the state. 6 CO-CHAIRMAN STOGEL: But if -- this 7 is more intended as a credit question. If the 8 state puts out a dollar, but gets seven -- 9 SENATOR BARTLE: But, Steve, that 10 same argument can be used to expand any of these 11 programs. 12 CO-CHAIRMAN STOGEL: But this is a 13 REMI model calculation, because a REMI model 14 we've been taught works on economic development 15 projects. 16 COMMISSIONER LEVI: Senator, the 17 other charge that we had in addition to reducing 18 the liability of the state was to look for 19 opportunities to grow the economy. And by 20 lowering -- changing these -- this top number of 21 jobs, it was our feeling that it was going to 22 result in a net positive to the state even if a 23 greater amount of the cap was going to be used. 24 That doesn't mean we can't include 25 some kind of a calculation that says if this</p>
Page 114	Page 116
<p>1 is how do we reduce the overall tax credit 2 liability to the state. 3 And I just think we ought to mark 4 it every time we are voting to actually increase 5 the tax credit liability to the state, we need to 6 highlight it in yellow and make sure everybody 7 knows what we're doing. 8 Because I think this works against 9 us, and I wouldn't -- at the end of the day when 10 we're telling the press or whomever that we've 11 cut 150 million or 200 million, we had better 12 count against that total any -- expansion of any 13 existing program that incents people to use 14 unused cap. Does that make sense? 15 CO-CHAIRMAN STOGEL: Well, the 16 question which I guess we'll get to is whether 17 we're measuring it from redemptions as a running 18 average or authorizations as a running average. 19 I've always approached this as a dual test. You 20 have to measure the ultimate results of the 21 Commission both against authorizations and 22 against redemptions. 23 SENATOR BARTLE: But the immediate 24 budget crisis has to deal with what we're 25 actually letting out every year, not what we've</p>	<p>1 occurs, it could result in \$15 million more cap 2 being used, but hopefully that would result in 3 \$15 million times whatever the return number is 4 in jobs and revenues to the state. 5 SENATOR BARTLE: I've just been 6 watching now for -- you know, we've been through 7 -- in the eight years I was in the senate, twelve 8 years in the -- total, we've been through three 9 different revenue crises, and I have heard now 10 for twelve years that it's one of these give us a 11 dollar, and we're going to give you five back or 12 three back or six back or seven back. And if all 13 that were true, why are we in the stinking shape 14 we're in now? 15 CO-CHAIRMAN STOGEL: General 16 revenue dropped from 8 billion to 7 billion. 17 SENATOR BARTLE: So it gives us 18 seven bucks back, so why don't we increase this 19 to 300 million and then we'll get 21 or -- you 20 know, 2.1 billion back. There's no end to those 21 promises. So what I'm -- and I'll shut up here. 22 CO-CHAIRMAN STOGEL: No, no, no, 23 it's fine. 24 SENATOR BARTLE: But if we're 25 keeping track and patting ourselves on the back</p>

Page 117	Page 119
<p>1 for what we do to reduce tax credit liability, we 2 are -- we are going the wrong direction when we 3 expand a program and increase utilization of a 4 program that's currently operating under whatever 5 cap is there. We can say, well, we reduced the 6 cap, but that doesn't do any good in real budget 7 dollar terms. 8 CO-CHAIRMAN GROSS: David has a 9 question. 10 COMMISSIONER KENDRICK: In the 11 original charge given us by the governor, weren't 12 all of these totals of all of these tax credit 13 programs accounted, and that was the concern? It 14 was the exposure of utilizing them that was the 15 possibility? 16 CO-CHAIRMAN GROSS: Certainly one 17 of the concerns was, and it was stated, that 18 redemptions were estimated to be 500 some odd 19 million dollars. And that's what Senator Bartle 20 is speaking to is the cap is one thing, the 21 redemptions are actually what hits you on a 22 yearly basis on the budget because they reduce 23 that income. 24 And we can reduce caps, but if we 25 don't also do something to affect the</p>	<p>1 authorized number is \$25 million. And I guess 2 what Senator Bartle is suggesting is that by 3 lowering the threshold, it could increase the 4 utilization from 10 to 25 million. 5 CO-CHAIRMAN GROSS: And that could 6 happen. 7 CO-CHAIRMAN STOGEL: And if we're 8 going to accept the recommendation and we know 9 that we might attract a company with 250 jobs 10 rather than 500, that that would be a good thing, 11 but at what cost? 12 And maybe you lower the cap some 13 and you do it, the legislature's always going to 14 decide yes or no or raise the cap later depending 15 on what the facts are. But you're opening up a 16 whole new bandwidth to attract new companies. 17 COMMISSIONER HALL: I heard Senator 18 Bartle say he wanted to net out from the overall 19 savings from whatever we believe are going to be 20 the additional cost of changes that are made. 21 This is not yet a fully utilized 22 program. We're going to make changes. How do 23 you calculate what the incremental cost is of 24 those changes? And I don't believe you can. 25 CO-CHAIRMAN STOGEL: But because</p>
Page 118	Page 120
<p>1 redemptions, then I would say long term it might 2 be a good thing, but to affect the 2012 budget 3 does zero. 4 COMMISSIONER HALL: How do you 5 calculate the value of these changes? If we're 6 going to count it against the savings, I 7 understand how you count the savings, how do you 8 count the value of lowering from 500 to 250? If 9 we're going to net this out? 10 CO-CHAIRMAN GROSS: Well, if you're 11 talking about the tax credit, then I think you 12 need to count on both ends. What did we do with 13 the cap, anything, increase, decrease, whatever 14 it is, and -- 15 COMMISSIONER HALL: How much is 16 this going to increase utilization? Lowering 17 from 500 to 250? 18 COMMISSIONER LEVI: We don't know. 19 If it's at 10 now, the most it could increase is 20 to 25 which is where the cap is. 21 COMMISSIONER HALL: It's not going 22 to do that. You don't know what's going to 23 happen to lower from 500 to 250. It may not 24 affect anything. 25 COMMISSIONER LEVI: No. But the</p>	<p>1 you can't is why I was thinking if you lowered 2 the cap, you know what your worst case number is. 3 COMMISSIONER HALL: I would agree 4 with that, Steve, I don't know how you do the 5 actual. 6 CO-CHAIRMAN STOGEL: Because in 7 three years you can do the actual, Bill, but if 8 25 became X and we are below that by some number, 9 you -- you capture business liability and you've 10 allowed a chance to create more businesses to 11 come to the state. Seems to me it still goes 12 into the final tally here, but business creation 13 and new ideas were one of the governor's charges, 14 and it's all about jobs today. 15 So, I mean, we have the opportunity 16 to take some recommendations to bring maybe some 17 businesses here. We also have the charge of 18 keeping a AAA rating and making sure credits 19 don't go back out of control. So maybe the 20 solution is to take 25 million down to a certain 21 number and allow growth to that number by this 22 definitional expansion. 23 COMMISSIONER LEVI: But, 24 truthfully, we did not -- 25 CO-CHAIRMAN GROSS: Representative</p>

Page 121	Page 123
<p>1 Flook has been trying to get in. 2 REPRESENTATIVE FLOOK: I understand 3 what Senator Bartle is trying to say about 4 increased utilization. We know it will go up. 5 This would improve the program, I supported this 6 part of the report, it improves what we can do 7 with what I think is a good program. 8 It'll increase utilization, so yes, 9 there will be more redemptions, and so the size 10 of the program -- we leave the cap where it's at, 11 but more of it's going to be used. Yes, it 12 impacts the budget. Can't predict that number. 13 What we can do is look at the other 14 programs that are over utilized and the other 15 programs that tend to take up a lot of our space, 16 which a lot of you heard me give this pitch 17 before. So, you know, and not to make historic 18 tax credits a whipping board, but they're one of 19 the biggest ones on the block that's heavily 20 utilized. 21 If we're willing to recommend 22 significant changes there, we could propose a 23 small redistribution of sorts to a program like 24 this that's getting into a direction we really 25 want to go to create primary jobs. We could do</p>	<p>1 Flook said, here's one that should go up and 2 here's another one that should go down. 3 Maybe that's an adjustment that 4 should take place, Senator, but that's hard to do 5 in the absence of the other tax credits. 6 CO-CHAIRMAN GROSS: Couple things. 7 One, your recommendation, it was 14, it still is 8 14, I'm only flipping back just for a second 9 because that one is kind of an encompassing 10 recommendation, and for me anyway, kind of 11 playing these off of each other in that 12 recommendation 14 is helpful. 13 Now, I don't know if that means we 14 go to 14 and see if that's supported, and 15 therefore, we don't need to do some of these 16 other recommendations maybe, but I also have to 17 say that -- who is the best one here at reading 18 the governor's mind? Rex? 19 I mean, I -- I don't disagree with 20 any of the words that have been spoken about the 21 charge, but I believe the reason that the 22 governor created this Commission is because tax 23 credits are out of control. Blank statement, tax 24 credits are out of control. They're eating up a 25 larger and larger and larger portion of the</p>
Page 122	Page 124
<p>1 that and still show a net savings, but we'd have 2 to be willing to make those other recommendations 3 to go along with it. 4 And that's where, you know, in the 5 legislative bodies, that's always been the rub. 6 In order to appease the budget minded folk in the 7 senate or what have you, we never could get that 8 significant enough reduction out of the box to 9 allow us to redistribute something over here in a 10 real significant way because we never could pull 11 the savings together. 12 COMMISSIONER LEVI: I was just 13 going to say that the committee, you will see in 14 these recommendations, didn't deal in any great 15 depth with what the caps should be on most of 16 these programs. We did recommend reducing the 17 cap in the MDFB bond guarantee program by \$10 18 million, but I think there would have been the 19 consensus on the committee to even increase 20 quality jobs because of the return it has on the 21 state. 22 And we didn't do that based on the 23 assumption that at some point the Commission on 24 the whole was going to look at all these programs 25 together and say here's one, as Representative</p>	<p>1 budget. 2 An old friend of mine has always 3 told me you got to spend money to make money, but 4 I always now return, we don't have the money to 5 spend, and until we do, to put more money, or at 6 least for this Commission to recommend more money 7 be spent I think is maybe not by the letter of 8 the governor's call. I think it's against what 9 we should be doing. 10 We should be doing efficiencies, we 11 should be weeding out programs that no longer are 12 appropriate or work, but to create new programs, 13 to add new programs, I didn't see one posting of 14 a meeting of this Commission that said for all 15 the economic developers who have got a great idea 16 to come in to add tools to the toolkit, here, 17 here's your chance. 18 I didn't see that anywhere, okay? 19 It was dealing with the existing programs and how 20 we're going to make them better. I actually like 21 your idea. 22 COMMISSIONER LEVI: Number 14? 23 CO-CHAIRMAN GROSS: 14 and No. 1, 24 but I'm not sure that I can -- I'm just grappling 25 with whether I can go with No. 1 because of the</p>

Page 125	Page 127
<p>1 increased cost at the end, and that means --</p> <p>2 COMMISSIONER LEVI: You mean No. 4?</p> <p>3 CO-CHAIRMAN GROSS: Sorry, No. 4,</p> <p>4 the BUILD portion. I like it. If I was in the</p> <p>5 legislature I think I would support it. But I</p> <p>6 don't know about sitting here saying we should do</p> <p>7 that when indeed it's going to cost a reduction</p> <p>8 in net income to the state.</p> <p>9 COMMISSIONER ANDERSON: But maybe</p> <p>10 not if 14 is adopted because there's language</p> <p>11 that's specific about what happens reducing</p> <p>12 overall debt.</p> <p>13 CO-CHAIRMAN GROSS: So I don't know</p> <p>14 where that gets us, but I had to get it out</p> <p>15 because I think 14 is an important part of all</p> <p>16 this discussion. So I don't know how you --</p> <p>17 COMMISSIONER ANDERSON: We defer</p> <p>18 until 14. That works.</p> <p>19 COMMISSIONER LEVI: Or defer it</p> <p>20 until the discussion of all the caps together.</p> <p>21 CO-CHAIRMAN GROSS: Why don't we do</p> <p>22 that.</p> <p>23 COMMISSIONER LEVI: Even with all</p> <p>24 the other committee's recommendations where the</p> <p>25 caps are increasing or decreasing and see what</p>	<p>1 And I know there will probably be a</p> <p>2 lot of commissioners that say, okay, I'm</p> <p>3 comfortable if we're cutting here to do a little</p> <p>4 more adding there, and I understand Mr. Hall</p> <p>5 makes a good point, it's hard to know what</p> <p>6 utilization would be.</p> <p>7 I think we ought to at least keep</p> <p>8 some kind of running total as we go that we may</p> <p>9 have added as much as -- you know, we should</p> <p>10 assume the worse, it may be better, but for</p> <p>11 purposes of our calculating, if we're keeping</p> <p>12 track of things, let's keep track of where we're</p> <p>13 proposing to add, too.</p> <p>14 COMMISSIONER ANDERSON: It's</p> <p>15 embedded in recommendation 14 that that final</p> <p>16 sentence in the first paragraph is new, I do</p> <p>17 think it addresses a lot of these issues we're</p> <p>18 talking about. Starts, "The combined annual cap</p> <p>19 of the new unified economic development program</p> <p>20 should be a function," that sentence is new.</p> <p>21 Final sentence in paragraph 1 under</p> <p>22 recommendation 14, and again, I think it</p> <p>23 addresses these issues we're talking about.</p> <p>24 CO-CHAIRMAN GROSS: That's</p> <p>25 definitely the direction I'm thinking about</p>
Page 126	Page 128
<p>1 the numbers are. Is that fair?</p> <p>2 CO-CHAIRMAN GROSS: I think so.</p> <p>3 COMMISSIONER LEVI: Understanding</p> <p>4 that this could take a hit.</p> <p>5 CO-CHAIRMAN GROSS: Okay.</p> <p>6 COMMISSIONER LEVI: Okay. The next</p> <p>7 one is a reduction in the -- well, can we -- I</p> <p>8 make a motion that we approve 14 subject to</p> <p>9 consideration of what the impact to that</p> <p>10 increased utilization would be on the overall</p> <p>11 caps, overall tax credits cost to the state.</p> <p>12 CO-CHAIRMAN GROSS: And indeed</p> <p>13 we've already agreed as a Commission that</p> <p>14 recommendations from the global issues committee</p> <p>15 could trump all of these. So I would -- that was</p> <p>16 certainly a motion? Let's get a second.</p> <p>17 MR. WAGNER: I'll second it.</p> <p>18 SENATOR BARTLE: I think Pete's</p> <p>19 right that trying to consider these things one by</p> <p>20 one, I mean, I'm -- my -- I feel like I owe it to</p> <p>21 the governor and to my colleagues in the</p> <p>22 legislature to recommend cuts. Um, not that I'm</p> <p>23 going to be voting against any expansion, but I</p> <p>24 think it is appropriate at the end for us to kind</p> <p>25 of get a feel for where are we overall.</p>	<p>1 whether we need to put a little more meat on</p> <p>2 that, can we go through these? Like I said,</p> <p>3 they're all subject to a global discussion.</p> <p>4 COMMISSIONER LEVI: The MDFB bond</p> <p>5 guarantee program, our recommendation was to</p> <p>6 lower the cap, lower the cap, lower the cap, from</p> <p>7 50 million to 40 million dollars to more</p> <p>8 accurately reflect the usage.</p> <p>9 CO-CHAIRMAN GROSS: Is that a</p> <p>10 motion?</p> <p>11 COMMISSIONER LEVI: That would be a</p> <p>12 motion.</p> <p>13 CO-CHAIRMAN GROSS: I'll second it</p> <p>14 for discussion.</p> <p>15 CO-CHAIRMAN STOGEL: This is not a</p> <p>16 tax credit annual cost. It's an overall \$50</p> <p>17 million cap recommended to be 40 million. The</p> <p>18 history of this program which has been around a</p> <p>19 long time is they've had less than \$2 million of</p> <p>20 claims against it.</p> <p>21 So there's -- what we're doing by</p> <p>22 lowering the cap on this one is we're taking away</p> <p>23 a tool for the finance board that's had a 20 year</p> <p>24 record of like no bad deals, and to create</p> <p>25 infrastructure and other economic development</p>

<p style="text-align: right;">Page 129</p> <p>1 projects. So it -- what we're doing is limiting 2 it, and we're not picking up anything for our 3 mathematics. So. 4 COMMISSIONER LEVI: Not in actual 5 tax liability. 6 CO-CHAIRMAN STOGEL: It's not 7 really a tax liability. It's sort of a 8 contingent liability out there that's never been 9 called on. 10 COMMISSIONER LEVI: Like a letter 11 of credit. 12 CO-CHAIRMAN STOGEL: It doesn't -- 13 we're limiting our toolkit without improving our 14 numbers, so. 15 COMMISSIONER REEVES: This actually 16 allows them to -- it bolsters their borrowing 17 capacity, not really net cash affect the state at 18 all, it's actually -- 19 CO-CHAIRMAN STOGEL: If there were 20 a record for every dollar they lent, they lost 80 21 cents, you have to wonder about it, but they have 22 had a good record, and as long as the record is 23 -- continues to be strong, we're just hurting 24 ourselves by limiting a contingent liability. 25 CO-CHAIRMAN GROSS: I was just</p>	<p style="text-align: right;">Page 131</p> <p>1 default where we had to call on the credit, and 2 that was in the total amount of \$1.2 million. 3 And that was -- that was staged over two years -- 4 some years ago. And then the total outstandings 5 is about 36, 37 million dollars right now. 6 CO-CHAIRMAN GROSS: Is that extra 7 \$10 million necessary to be there? 8 MR. MEESER: It's necessary if you 9 want to do major projects. It allows capacity to 10 the projects. 11 CO-CHAIRMAN GROSS: Has that been 12 used? 13 CO-CHAIRMAN STOGEL: Thirty-six of 14 the 50 has been used. 15 MR. MEESER: Yeah, 36, 38. I think 16 the highest has been around 40 million that's 17 been outstanding. This is a credit that acts as 18 a guarantee for bonds that we issue, and as the 19 bonds are paid off, the credit declines. So the 20 contingent liability to call on those declines 21 more with it. 22 CO-CHAIRMAN GROSS: And it gives 23 you more room under the cap again. 24 MR. MEESER: It allows us to go up 25 and down under that \$50 million.</p>
<p style="text-align: right;">Page 130</p> <p>1 curious about, well, just more discussion again 2 that indeed this is not a drain on net income of 3 the state unless there's a default, and then the 4 credit gets used and then it costs us money. 5 Now, you said, I think, Steven, 6 that it's never been used? 7 CO-CHAIRMAN STOGEL: No, I think 8 the total claims in the last ten years have been 9 under \$2 million. 10 MS. HEMENWAY: Forty million 11 dollars is -- 12 MR. MEESER: Under a million two, 13 and that was in 2005 and 2006. 14 CO-CHAIRMAN STOGEL: So there's 15 been one claim of a million two, five and four 16 years ago in the history of the program, which, 17 Bob, how long -- 18 MR. MEESER: I think the first use 19 of this I believe in -- 20 CO-CHAIRMAN STOGEL: Bob, identify 21 yourself. 22 MR. MEESER: Bob Meeser, executive 23 director of the finance board. The program's 24 been in use since 1989, 1990, it's been used 25 about five times. During that time we had one</p>	<p style="text-align: right;">Page 132</p> <p>1 CO-CHAIRMAN GROSS: We've got a 2 motion and a second to -- to do what? 3 COMMISSIONER LEVI: Lower the cap. 4 CO-CHAIRMAN GROSS: From 50 to 40. 5 Further discussion? 6 CO-CHAIRMAN STOGEL: Bob, what's 7 your sense of -- put you on the hot seat in terms 8 of a recommendation here. Do you need the 9 capacity to help yet unnamed projects, or do you 10 have applications pending that could use this? 11 MR. MEESER: We do not have 12 applications pending that would use this. It's 13 just hard to say. It's been a program that has 14 been used for projects that couldn't be done any 15 other way. And the projects were the Midtown TIF 16 in Kansas City, two 40 acre sites, major urban 17 redevelopment, renovation, retail; the St. Louis 18 old post office Ninth Street garage; the St. 19 Louis convention center hotel -- 20 CO-CHAIRMAN STOGEL: Not the post 21 office, just the garage. It was not used for the 22 post office. 23 MR. MEESER: It's been used on 24 assets primarily that the board owns to 25 facilitate other investments. So the leverage</p>

<p style="text-align: right;">Page 133</p> <p>1 has been exceptional. It's been extremely high. 2 The use to the state has been extremely low. 3 CO-CHAIRMAN STOGEL: Has this been 4 reviewed with your board? 5 MR. MEESER: Reducing the cap? No. 6 COMMISSIONER HALL: Doesn't sound 7 like it's compelling to reduce. 8 CO-CHAIRMAN GROSS: I'm going with 9 your recommendation if you want to stay with it. 10 COMMISSIONER LEVI: We had asked 11 Bob if it was a problem. Our committee wouldn't 12 want to do anything to jeopardize the use of 13 this, its importance to the state. 14 CO-CHAIRMAN GROSS: You want to 15 withdraw your motion? Is that what you're 16 saying? 17 COMMISSIONER LEVI: I would 18 withdraw the motion. 19 MR. MEESER: I'm not here to speak 20 for the board. The board's not been consulted on 21 this. This was a recommendation of the 22 Department of Economic Development. We cooperate 23 fully with the Department of Economic 24 Development. 25 This is not a program where we</p>	<p style="text-align: right;">Page 135</p> <p>1 suggested substitute motion? 2 CO-CHAIRMAN GROSS: I'd say we just 3 let the issue die and not be part of the report. 4 CO-CHAIRMAN STOGEL: Why don't you 5 make the cap stay at \$50 million, and if the 6 board wants to do it, they can; and if they start 7 having a bad track record, the legislature can 8 repeal it. 9 CO-CHAIRMAN GROSS: Do we have a 10 second? 11 COMMISSIONER LEVI: Second. 12 CO-CHAIRMAN GROSS: We have a 13 second from Pete Levi. Further discussion? 14 (NO RESPONSE.) 15 CO-CHAIRMAN GROSS: All in favor 16 say aye? 17 (AYE.) 18 CO-CHAIRMAN GROSS: Opposed no? 19 (NO RESPONSE.) 20 CO-CHAIRMAN GROSS: Done. Next. 21 COMMISSIONER LEVI: Next one is the 22 quality jobs program, and we spent a lot of time 23 with this one as well. The first part of this 24 recommendation is that the legislature amend the 25 program to allow a discretionary component as</p>
<p style="text-align: right;">Page 134</p> <p>1 issue a credit and that credit is redeemed 2 against general revenue. So in that respect 3 there truly is diminuous cost to the state. By 4 reducing the cap down to 40 million, you're 5 picking up \$10 million of potential liability, 6 but certainly not \$10 million of redemptions that 7 will not be called upon. 8 COMMISSIONER REEVES: And I would 9 say that we also are giving up some flexibility 10 at the state level should that project no matter 11 where it is in the state be necessary. 12 MDFB has proven to be a very agile, 13 creative financier, and this really wouldn't have 14 any budget effect. At all. So I mean I think 15 that's -- 16 CO-CHAIRMAN GROSS: I'm going to 17 make a substitute motion that we -- just so we 18 have a recommendation on this, that the same 19 could be done by disproving the motion, but then 20 we end up with -- no, let's just go ahead. 21 COMMISSIONER LEVI: I'm happy to 22 withdraw the motion. 23 CO-CHAIRMAN GROSS: Okay. Motion's 24 been withdrawn. 25 COMMISSIONER LEVI: Do you have a</p>	<p style="text-align: right;">Page 136</p> <p>1 well as the entitlement program. 2 Right now it is -- to call it first 3 come/first serve is probably too drastic, but our 4 thought was that if a portion of the total amount 5 of the cap was set aside to meet new, important 6 targeted industries that are identified 7 particularly under the new state economic 8 development plan that is being developed, that it 9 would create a little competition and perhaps 10 give the state more discretion in deciding where 11 the best use of these quality jobs would be. So 12 that was first recommendation here. 13 The second part of this deals with 14 up front financing. This is -- this -- this has 15 been an ongoing theme here, and we use this same 16 technique in some of the other tax credits and 17 that would be to provide up front financing by 18 making this refundable tax credits in the first 19 year, and that would -- and then allow a clawback 20 based on performance and benchmarks rather than 21 providing tax credits over a period of time based 22 on performance. 23 The way it works right now is the 24 tax credits are authorized, and it may be the 25 first year or the second year that the money</p>

Page 137	Page 139
<p>1 actually comes to the developer. Here we would 2 say the tax credits would be refundable in year 3 1, meaning there could be a cash payment that 4 would come to the developer, to the business, in 5 order to create a up front dollar fund to incent 6 that company to be in Missouri.</p> <p>7 As Steve pointed out to me during 8 lunch, that really needs to be tied to the MDFB 9 to authorize bonds against the tax credits to get 10 that money into the hands of the company. So 11 that is the second part of this recommendation.</p> <p>12 Then it says the total annual 13 amount of up front tax credits should be limited 14 by statute to ensure budget certainty and would 15 be reduced from the program's existing cap. So 16 we're not adding to the cap, just using the money 17 a different way.</p> <p>18 The third recommendation was 19 something that came out of the St. Louis economic 20 development organization. That would be to lower 21 the thresholds of jobs for the period of the next 22 three years to promote economic -- during this 23 period of economic problems and -- in order to 24 increase job growth, to lower it from 10 jobs -- 25 lower the threshold to 10 jobs for a period of</p>	<p>1 You can finance it up front and you 2 can create a closing fund within the structure of 3 the development finance board. And the governor 4 can have a closing fund using refundable quality 5 job credits for the right project if we really 6 needed it.</p> <p>7 So it would be completely 8 discretionary. It would take an independent 9 board's action, but it's one way to create a 10 closing fund so we can get that special business. 11 It would be a good recommendation, I think, to 12 the legislature to consider quality jobs as 13 refundable with the financing capacity. To be 14 agreed on a case by case basis.</p> <p>15 CO-CHAIRMAN GROSS: But you're 16 suggesting --</p> <p>17 CO-CHAIRMAN STOGEL: Just adding to 18 what Pete built on.</p> <p>19 CO-CHAIRMAN GROSS: So your --</p> <p>20 COMMISSIONER LEVI: The piece about 21 the MDFB is not in here.</p> <p>22 CO-CHAIRMAN STOGEL: It was a 23 discussion over lunch, Senator, actually.</p> <p>24 CO-CHAIRMAN GROSS: I need to know 25 what we got before us right now, and right now</p>
Page 138	Page 140
<p>1 the next three years, and then also to amend the 2 tax credit benefit to allow for certain levels of 3 capital investment that occurs in the state. 4 Those count as well towards tax credits based on 5 the jobs in construction.</p> <p>6 So those are all the 7 recommendations that are contained in quality 8 jobs, and I'd be happy if Steve or someone else 9 wants to give a further detailed explanation of 10 how this up front money actually turns into cash 11 to the company.</p> <p>12 But it's -- it's changing the way 13 that the tax credits are authorized by making 14 them refundable, meaning that the company would 15 get more than its tax liability, would get more 16 money back in year 1 with provisions that provide 17 clawbacks if the performance is not achieved.</p> <p>18 CO-CHAIRMAN STOGEL: The notion we 19 discussed at lunch was if quality jobs -- we 20 attracted a new business, 200, 500 new jobs which 21 would earn X dollars over five years, and the 22 company was strong enough, you could basically 23 create a closing fund, because if the credits are 24 refundable, there's the implicit guarantee of the 25 state to issue the credits.</p>	<p>1 what we got before us is the recommendations 2 here, unless you want to articulate your change 3 again, Steven, because I can tell you right now I 4 can't repeat it.</p> <p>5 CO-CHAIRMAN STOGEL: Let's vote on 6 that and -- I don't know how to do this 7 procedurally. I would suggest that quality jobs 8 are refundable, that they be financeable through 9 the development finance board to create a closing 10 fund subject to the board's approval, and we'll 11 need authorizing legislation in both quality jobs 12 and probably within the development of transport 13 to make them compatible so that you can create a 14 closing fund within that structure.</p> <p>15 CO-CHAIRMAN GROSS: And the cap 16 right now on quality jobs.</p> <p>17 CO-CHAIRMAN STOGEL: Is \$80 18 million.</p> <p>19 CO-CHAIRMAN GROSS: And you would 20 not be changing the cap?</p> <p>21 CO-CHAIRMAN STOGEL: Quality jobs 22 is part of that discussion Senator Bartle raised 23 earlier, whether we should be adding or 24 subtracting, and we're holding that because 25 recommendation 14 says it's within the structure.</p>

35 (Pages 137 to 140)

<p style="text-align: right;">Page 141</p> <p>1 I'm just trying to add a new piece to the toolkit 2 which is to create a -- using quality jobs to 3 create with refundability a bankable situation so 4 that we can attract new businesses. 5 COMMISSIONER ANDERSON: And really 6 the change from this recommendation is financing 7 through the development finance board is the 8 major change. 9 CO-CHAIRMAN STOGEL: Correct. And 10 it's going to take some legislation, but it's a 11 toolkit add. 12 COMMISSIONER LEVI: Maybe I can 13 make the motion that recommendation No. 6 be 14 adopted as is, and then we can add a sentence to 15 that afterwards that says the MDFB should be 16 utilized to finance the closing fund? 17 CO-CHAIRMAN STOGEL: On -- for the 18 right project based on appropriate action and all 19 that stuff. 20 COMMISSIONER LEVI: So I make a 21 motion that recommendation No. 6 be approved. 22 CO-CHAIRMAN STOGEL: Second. 23 CO-CHAIRMAN GROSS: Motion and a 24 second. Let me just -- I may want to make a 25 comment.</p>	<p style="text-align: right;">Page 143</p> <p>1 try to turn it into a closing fund? It's a two 2 step process. 3 SENATOR BARTLE: I wonder if by 4 vesting that authority in MDFB, you virtually 5 assure that it won't happen, because MDFB right 6 now, for better or for worse, is thought in the 7 legislature to be the place you go with deals 8 that the public wouldn't support like stadiums 9 and, you know, that type of stuff. The Kansas 10 City Chiefs' practice facility. 11 And there is a -- there are a lot 12 of legislators that want MDFB abolished all 13 together, and it could be that you taint a good 14 idea by sending it through MDFB. 15 CO-CHAIRMAN STOGEL: I withdraw the 16 MDFB designation, but I think the notion of 17 having a financing capacity with quality jobs for 18 the purpose of creating a closing fund through 19 some regulatory agency center is a really good 20 idea for the toolkit, and I am indifferent as to 21 which board it is. 22 COMMISSIONER LEVI: Well, my 23 recommendation would be not to include anything 24 at all about that financing piece. It could be 25 worked out during the legislative process if it</p>
<p style="text-align: right;">Page 142</p> <p>1 Further discussion? 2 (NO RESPONSE.) 3 CO-CHAIRMAN GROSS: All in favor 4 say aye? 5 (AYE.) 6 CO-CHAIRMAN GROSS: Opposed no? 7 (NO RESPONSE.) 8 CO-CHAIRMAN GROSS: That's adopted 9 now. 10 Pete, if you want to add -- whoever 11 wants to make a motion to add something in there? 12 COMMISSIONER LEVI: That the 13 legislation be further amended to authorize the 14 utilization of the MDFB to create a financing 15 mechanism for the closing fund. For a closing 16 fund under conditions specified by the statute 17 and the board. How about that? 18 CO-CHAIRMAN GROSS: That just seems 19 to give them a whole lot of power. 20 CO-CHAIRMAN STOGEL: One of the -- 21 one of the -- we were trying to attract new jobs. 22 COMMISSIONER LEVI: Financing would 23 be approved by DED before it went to MDFB. 24 CO-CHAIRMAN STOGEL: For that 25 project to really ink the deal, do you want to</p>	<p style="text-align: right;">Page 144</p> <p>1 makes sense. 2 CO-CHAIRMAN STOGEL: We're trying 3 to expand the toolkit. 4 CO-CHAIRMAN GROSS: Then we'll go 5 on to recommendation 7? 6 COMMISSIONER LEVI: Recommendation 7 No. 7 deals with the enhanced enterprise zone 8 which we talked about a little bit before in that 9 last sentence regarding distressed areas. But, 10 again, this would utilize that same technique for 11 up front financing for a closing fund in the same 12 way that we did in recommendation No. 6 without 13 increasing the cap. And I would recommend 14 approval of the recommendation No. 7. 15 COMMISSIONER ANDERSON: And second 16 that motion. 17 CO-CHAIRMAN GROSS: A motion and a 18 second. Do we have any discussion? 19 (NO RESPONSE.) 20 CO-CHAIRMAN GROSS: Seeing none, 21 all in favor say aye? 22 (AYE.) 23 CO-CHAIRMAN GROSS: No? 24 (NO RESPONSE.) 25 CO-CHAIRMAN GROSS: Motion is</p>

Page 145	Page 147
<p>1 adopted.</p> <p>2 Number 8?</p> <p>3 COMMISSIONER LEVI: Number 8 deals</p> <p>4 with the MDFB infrastructure fund, and this just</p> <p>5 further defines the fact that we -- our</p> <p>6 recommendation is that the process here become</p> <p>7 more efficient to maximize the return on</p> <p>8 investment utilizing the guiding principles.</p> <p>9 CO-CHAIRMAN GROSS: We have a</p> <p>10 motion. Second?</p> <p>11 COMMISSIONER ANDERSON: Second.</p> <p>12 CO-CHAIRMAN GROSS: Second by Jim</p> <p>13 Anderson. Any discussion?</p> <p>14 (NO RESPONSE.)</p> <p>15 CO-CHAIRMAN GROSS: All in favor</p> <p>16 say aye?</p> <p>17 (Aye.)</p> <p>18 CO-CHAIRMAN GROSS: Opposed no?</p> <p>19 (NO RESPONSE.)</p> <p>20 CO-CHAIRMAN GROSS: Number 9?</p> <p>21 COMMISSIONER LEVI: Number 9 deals</p> <p>22 with the incubator tax credits which we are</p> <p>23 recommending be funded rather than through a tax</p> <p>24 credit, through an annual appropriation in the</p> <p>25 same way that the innovation centers are funded.</p>	<p>1 credit.</p> <p>2 So I would make a motion that</p> <p>3 recommendation No. 10 be approved.</p> <p>4 COMMISSIONER ANDERSON: Second.</p> <p>5 CO-CHAIRMAN GROSS: Motion and</p> <p>6 second. Discussion?</p> <p>7 (NO RESPONSE.)</p> <p>8 CO-CHAIRMAN GROSS: Seeing none,</p> <p>9 all in favor say aye?</p> <p>10 (AYE.)</p> <p>11 CO-CHAIRMAN GROSS: Oppose no?</p> <p>12 (NO RESPONSE.)</p> <p>13 CO-CHAIRMAN GROSS: Number 10 is</p> <p>14 approved.</p> <p>15 COMMISSIONER LEVI: Number 11 deals</p> <p>16 with a business facility tax credit, and the way</p> <p>17 it is written right now, it is very narrowly</p> <p>18 focused, only really been used once in a very</p> <p>19 positive and good way, but the recommendation</p> <p>20 here is to expand the usage, expand the</p> <p>21 eligibility for the business facility tax credit.</p> <p>22 It would -- I would make that</p> <p>23 motion to approve No. 11, but the same comments</p> <p>24 that Senator Bartle made before would apply to</p> <p>25 the use of the business facility tax credit which</p>
Page 146	Page 148
<p>1 And in order to increase local involvement, that</p> <p>2 there be a required local match in order to</p> <p>3 maximize the use of those dollars.</p> <p>4 So I would make the motion to</p> <p>5 approve recommendation No. 9.</p> <p>6 COMMISSIONER ANDERSON: Second</p> <p>7 again.</p> <p>8 CO-CHAIRMAN GROSS: Motion and a</p> <p>9 second. Discussion?</p> <p>10 (NO RESPONSE.)</p> <p>11 CO-CHAIRMAN GROSS: Hearing none,</p> <p>12 all in favor say aye?</p> <p>13 (AYE.)</p> <p>14 CO-CHAIRMAN GROSS: Opposed no?</p> <p>15 (NO RESPONSE.)</p> <p>16 CO-CHAIRMAN GROSS: Number 10.</p> <p>17 Motion adopted.</p> <p>18 COMMISSIONER LEVI: 10 deals with</p> <p>19 the development tax credit, and again, this deals</p> <p>20 with efficiencies in the way it is -- the way it</p> <p>21 operates, then additional changes allowing</p> <p>22 benefits for higher paying jobs with health care</p> <p>23 benefits simplifying the process, simplifying in</p> <p>24 order to eliminate some of the unnecessary</p> <p>25 transaction costs involved in the development tax</p>	<p>1 could increase.</p> <p>2 COMMISSIONER ANDERSON: Second.</p> <p>3 CO-CHAIRMAN GROSS: We have a</p> <p>4 motion and a second. This is one where I would</p> <p>5 not support the motion, I think we should let the</p> <p>6 sunset occur and not expand the program. Further</p> <p>7 comments?</p> <p>8 CO-CHAIRMAN STOGEL: The program --</p> <p>9 Sallie, I need some help here. There were 69</p> <p>10 projects in 2009, and 73 projects in 2008, and --</p> <p>11 MS. HEMENWAY: On business</p> <p>12 facility?</p> <p>13 COMMISSIONER LEVI: No. You're</p> <p>14 wrong.</p> <p>15 CO-CHAIRMAN STOGEL: Which is</p> <p>16 facility tax credit program. Just reading off</p> <p>17 your form 14.</p> <p>18 MS. HEMENWAY: It looks like what's</p> <p>19 happened is that the number of certificates</p> <p>20 issued has been dropped down to the line -- see</p> <p>21 where each one is identical to the number of</p> <p>22 certificates issued? There is only one company</p> <p>23 that uses this tax credit program. We may have</p> <p>24 issued 69 separate tax credit certificates to</p> <p>25 that company, but there is only one company that</p>

Page 149	Page 151
<p>1 is currently using the program.</p> <p>2 The program was just reduced by the</p> <p>3 legislature. It used to have several components</p> <p>4 to it, and it is now reduced to just one</p> <p>5 component that focuses a benefit on a</p> <p>6 headquarters facility of an engineering company,</p> <p>7 an accountant company, or an architectural</p> <p>8 company.</p> <p>9 SENATOR BARTLE: Okay. Then, this</p> <p>10 is the Burns and Banks, correct? So why don't we</p> <p>11 do this? They've already got their tax credit,</p> <p>12 right? Let's get rid of it. This was another</p> <p>13 tax credit created specifically for one entity.</p> <p>14 CO-CHAIRMAN STOGEL: I'm okay with</p> <p>15 that one, but the -- whoever has it, has it.</p> <p>16 CO-CHAIRMAN GROSS: Absolutely.</p> <p>17 SENATOR BARTLE: All motions -- all</p> <p>18 motions assume that. So I guess I have a</p> <p>19 substitute motion.</p> <p>20 CO-CHAIRMAN GROSS: Representative?</p> <p>21 REPRESENTATIVE FLOOK: My comment</p> <p>22 would be this. This is one of the few programs</p> <p>23 you actually have enough accountability built</p> <p>24 into it. It goes after primary job creation, it</p> <p>25 has good accountability measures, and it's the</p>	<p>1 So my comment to the committee</p> <p>2 would be this actually has some accountability</p> <p>3 built into it and it's actually a good thing, and</p> <p>4 that if we seek to abolish it or end it, we at</p> <p>5 least somehow need to acknowledge that the</p> <p>6 approach taken actually forced competency out of</p> <p>7 the user and product. And we don't necessarily</p> <p>8 always get that.</p> <p>9 CO-CHAIRMAN GROSS: My issue with</p> <p>10 this and the land assemblage and some other</p> <p>11 credits that we have talked about in the past, or</p> <p>12 at a past meeting and we'll talk about today, is</p> <p>13 that we keep targeting them toward that business.</p> <p>14 That person. That problem. Instead of saying</p> <p>15 what do we need and this is why.</p> <p>16 I, like I said, I spoke openly in</p> <p>17 favor of the recommendation that you had in No. 4</p> <p>18 or 5 or whatever it was. Not that I thought it</p> <p>19 was necessarily part of this Commission's job, we</p> <p>20 can debate that, see where that goes, but that's</p> <p>21 the problem. You shouldn't have to go to the</p> <p>22 legislature and say we need to save AMC. Or we</p> <p>23 need to save Ford. Or something like that.</p> <p>24 It should be economic development</p> <p>25 programs that are broad enough so that if it's a</p>
Page 150	Page 152
<p>1 kind of thing that allows us to compete.</p> <p>2 If you're from the Kansas City</p> <p>3 side, you just saw on the news AMC's talking</p> <p>4 about ending a nearly 100 year relationship of</p> <p>5 having its headquarters in Kansas City, they're</p> <p>6 looking at Kansas, and the reason is they've got</p> <p>7 tools they're beating us over the head with.</p> <p>8 Senator Bartle and I have had this</p> <p>9 debate now for three years so he's going to sleep</p> <p>10 as I say this, but it's the matter of the reality</p> <p>11 of what we're dealing with, the interstate</p> <p>12 competition aspect.</p> <p>13 And this corporate headquarters</p> <p>14 piece was a tool that wasn't designed or</p> <p>15 available for us to deal with Serner (ph)</p> <p>16 leaving, to help compete with that. Now it's a</p> <p>17 tool that's presently not designed or available</p> <p>18 for dealing with AMC who is now looking seriously</p> <p>19 at moving across the state line.</p> <p>20 I think there's going to be</p> <p>21 pressure on the legislature come January just on</p> <p>22 this AMC project to see if we can keep them in</p> <p>23 Kansas City, and this is actually a better kind</p> <p>24 of approach to it than some other things that</p> <p>25 might get proposed.</p>	<p>1 legitimate business with a legitimate project for</p> <p>2 Missouri that's really good for the taxpayers,</p> <p>3 I'm really not lecturing, that's really good for</p> <p>4 the taxpayers of Missouri, that it will have a</p> <p>5 return, then great.</p> <p>6 But these things just end up being</p> <p>7 so targeted that it looks like nothing more than</p> <p>8 a giveaway of dollars to a private business from</p> <p>9 the taxpayers, and it's horrible policy, I think.</p> <p>10 REPRESENTATIVE FLOOK: I think</p> <p>11 you're right. Your principle is accurate. This</p> <p>12 discussion, you're absolutely right. But what</p> <p>13 I'm saying is that somebody's playing poker with</p> <p>14 us, and our question is, are we going to be in</p> <p>15 the game or not, and that's the problem. That's</p> <p>16 a bigger global issue about the interstate</p> <p>17 commerce laws and --</p> <p>18 CO-CHAIRMAN GROSS: I've got a</p> <p>19 suggestion.</p> <p>20 CO-CHAIRMAN STOGEL: We were --</p> <p>21 went to Kansas City, and Pete hosted a meeting</p> <p>22 for us one morning. Senator Gross and I heard</p> <p>23 consistently from all of the leaders in Kansas</p> <p>24 City, and I want to confirm what you said, that</p> <p>25 Kansas City has a problem, they're competing</p>

1 against the sovereign in the State of Kansas.

2 Here, within the toolkit, how do
3 you create programs that work for retaining major
4 employers both on the Missouri side of Kansas
5 City and as other folks in the state? And I'm
6 not sure anything in our toolkit actually deals
7 with the retention issue.

8 And part of the governor's charge's
9 creating jobs, well, by me that includes keeping
10 key employers in terms of here. Maybe it belongs
11 in the global issue conversation, but part of the
12 economic development package isn't just new, it's
13 keeping our base here.

14 And really looking at Pete and Jim
15 in terms of how do we define these programs, and
16 the three representatives who are members of the
17 legislature, how do we do something that's for
18 retention as well as new development? And I
19 think that's the key issue.

20 If it's a deal that generates one
21 to one, dollar for dollar? And I think that's
22 the key issue, but I don't know the answer. I
23 think that's the right position.

24 SENATOR BARTLE: We should vote for
25 Chuck's motion for this reason. It's drafted so

1 narrowly that AMC's going to have to come back to
2 the legislature anyway. Let's not keep on the
3 books a program that was drafted for one company
4 and one situation just like we did Ford this
5 year, we did Bombardier, every year there's a new
6 company knocking on the door.

7 Let's not try to pretend to the
8 voters and to the taxpayers that this is
9 available to other people. It's not. It was for
10 one company. Or maybe two companies. So let's
11 get rid of it, or recommend that the legislature
12 get rid of it.

13 And then if AMC wants to come and
14 do what I call the state government shakedown,
15 which they're going to do, for their shareholders
16 they should do, we've incented them to do it, but
17 let's not keep something on the books that isn't
18 going to have any applicability to anybody else.

19 CO-CHAIRMAN STOGEL: I'm okay with
20 being -- trying to keep the consistency, and I
21 admittedly don't understand all this economic
22 development stuff like Pete and Jim and others at
23 the table.

24 But I'm really -- I think the
25 Commission ought to take up the notion of

1 retention as one of our goals as -- and maybe we
2 can't come up with a specific recommendation, but
3 a consensus recommendation that retention is
4 almost as important as new development, and ask
5 the legislature to consider something like that.

6 COMMISSIONER ZIMMERMAN: Just to
7 comment or whatever, I mean there are some things
8 we can't do, the federal government is the one
9 that needs to step in and stop some of this where
10 states are trying to take commerce away from
11 other states by offering them better deals and
12 stuff like that, and where does it all end up?

13 We just had Alabama and Mississippi
14 give out over \$800 million of taxpayers' money to
15 attract two foreign automakers there, paying
16 substandard wages and less fringes, and profits
17 go overseas. Years ago we had a Huffy plant we
18 got from Ohio could come down here in Farmington.
19 We give them the sun. As soon as their tax
20 credits ran out, they moved further south.

21 So some of these things we can't
22 fix at the state level, it has to be done on the
23 federal level.

24 REPRESENTATIVE FLOOK: That's what
25 the interstate commerce clause is for. They're

1 manipulating the marketplace, states are
2 manipulating the marketplace, and this is no
3 different than in the Colonial period when they
4 used their local currencies to leverage against
5 each other.

6 And there is a global perspective
7 that's all the way in the world of federal
8 government, maybe that's too big a recommendation
9 for the committee to look at, but I would be
10 willing to say that's where their power was
11 supposed to be exercised, and it's not and it's
12 resulting in this arms race in incentives.

13 And we're having to use these
14 programs to protect companies from being spirited
15 away or developing the mentality that they can be
16 shopping every fifteen years for a new place to
17 live because somebody will throw money at them.

18 REPRESENTATIVE KOMO: I guess my
19 thing is I agree that we have a lot of programs
20 that have been tailored to certain groups and
21 select that, last year we did the manufacturing
22 bill. At the same time it's because we have not
23 addressed the bigger issue on where we want to be
24 on some of these issues. So I think that's why
25 we have these groups coming to the table saying

1 we need something, because our toolbox isn't as
2 sharp as it needs to be.

3 So I think as far as the global
4 issues, I think we have to have that discussion
5 if we're going to continue to eliminate some of
6 these programs and we want people to stop coming
7 to the legislature for my niche, what I need for
8 this year, and the next year we know it's going
9 to be somebody else.

10 We're going to have to get
11 something that will give that umbrella to
12 everybody, but apparently we don't have that, or
13 these people wouldn't come to the table like they
14 are. You're always going to have that and always
15 going to have the shakedown until we have the
16 bigger umbrella where we don't want to compete
17 against other states. That's a global possibly
18 issue we talked about.

19 COMMISSIONER JOYNER: That was my
20 question, because if there's recommendation No.
21 14 is to look at more of a global all
22 encompassing economic development process, and
23 if, in fact, this program is so limited and we
24 need a retention component to economic
25 development, why not do away with this one and

1 include that recommendation in the global
2 solution? And did your committee think about
3 that or talk about that at all?

4 COMMISSIONER LEVI: Well, we listed
5 some of these tax credits, tax credit programs
6 which could roll into the more global one, listed
7 BUILD, enhance enterprise, quality jobs, I guess
8 we could have listed business facility as well.

9 And I agree with the comments that
10 we shouldn't be writing a tax credit for a
11 particular company. The problem is, at least in
12 Kansas City, is having a tool that companies can
13 use when they want to stay in Kansas City rather
14 than move to the other side of the state line,
15 and in the absence of having a recommendation No.
16 14 on the books, it's a tool like business
17 facility tax credit that could be utilized to
18 make that happen.

19 And our recommendation was that it
20 shouldn't just be written for one company. It
21 should be written so that it can be used in other
22 cases as well in order to retain that business in
23 Kansas City or retain it in St. Louis or in
24 Springfield, wherever it is.

25 And if the global recommendation

1 No. 14 were adopted and at the same time it did
2 away with the business facility tax credit, that
3 might be just fine, but in the meantime this is
4 one of the only tools that the state has in order
5 to keep businesses in the state. And that's why
6 we recommended that it be broadened and that it
7 be created so a company doesn't have to come down
8 here and get special legislation in order to do
9 what they want to do.

10 REPRESENTATIVE KOMO: Right now,
11 and we had this discussion in that subcommittee,
12 so what we're doing now is we allow the companies
13 to go to Kansas City and -- or Kansas, sorry.
14 Once they go to Kansas or another state, then we
15 can offer them another incentive to come back,
16 but we have nothing to keep them here.

17 So you have Kansas, they can come
18 to them, but no state's in that situation. We're
19 into the unique -- all states are in that
20 situation of bringing business to their state,
21 but nobody's really in the business of retention.

22 Not that, you know, you want to get
23 into that and create all kinds of other issues,
24 but at the same time it's like so we sit back and
25 let somebody else steal them away from us, then

1 we go to them and offer them something.

2 COMMISSIONER LEVI: And this may be
3 an issue of interstate commerce, but I don't
4 think anybody wants to wait for that.

5 SENATOR BARTLE: There is a
6 solution. You take the billion dollars we're
7 spending on tax credits right now which are going
8 to only a small subset of our taxpayers and we're
9 chasing mega employers and we're competing
10 against every state in the union, you know, for
11 these big employers, and instead you reduce the
12 overall level of taxation on business activity by
13 a billion dollars in the state. And you get out
14 of the economic development business all
15 together.

16 So you say, Kansas, you can have
17 the mega employers. We're going to have the
18 lowest business taxation in the United States,
19 and let that be our economic development. Now I
20 realize that's never going to happen, but I got
21 it off my shoulders.

22 COMMISSIONER LEVI: Bill Hall sent
23 me a report that was done by the tax foundation
24 that ranked the business climate in all the
25 states, and the State of Missouri came out No. 15

Page 161	Page 163
<p>1 and Kansas came out No. 35.</p> <p>2 And the reason that Missouri did so</p> <p>3 much better than Kansas, the primary criteria</p> <p>4 that made it come out so much better was that it</p> <p>5 had lower taxes than the State of Kansas. So</p> <p>6 there also is a move on the businesses at least</p> <p>7 across the city line in our area.</p> <p>8 COMMISSIONER HALL: Kansas City's</p> <p>9 getting hollowed out. We're a large office</p> <p>10 building developer in the State of Missouri and</p> <p>11 we are in a constant fight, and our rents are</p> <p>12 coming down to try and keep people in our</p> <p>13 development. And AMC and JPMorgan and -- we lost</p> <p>14 the NAIC, and then the city had to come up with a</p> <p>15 whole bunch of money to keep them.</p> <p>16 But there are a whole series of</p> <p>17 people moving across the state line because</p> <p>18 Kansas has a tool now that gives up front money,</p> <p>19 and what Steve was talking about about the</p> <p>20 ability to finance and hand a person a check is</p> <p>21 making a huge difference in terms of attracting</p> <p>22 people out of Missouri and into Kansas.</p> <p>23 COMMISSIONER LEVI: AMC is pretty</p> <p>24 -- it's public knowledge, it was in the Kansas</p> <p>25 City Star again this morning. The State of</p>	<p>1 (NO RESPONSE.)</p> <p>2 CO-CHAIRMAN GROSS: The ayes appear</p> <p>3 to have it. The ayes do have it.</p> <p>4 COMMISSIONER LEVI: Number 12 deals</p> <p>5 with film tax credit which we talked about</p> <p>6 before, too. This is about a \$4.5 million tax</p> <p>7 credit. I believe we recommended that the</p> <p>8 legislature change this funding mechanism to</p> <p>9 still allow some incentives for local filmmaking,</p> <p>10 but rather than use the revenues of the State of</p> <p>11 Missouri, to allow an individual city in which</p> <p>12 the film was going to be made to use the amount</p> <p>13 of distribution of local taxes collected by the</p> <p>14 state as an offset to -- to give to that film</p> <p>15 company. So it's a local to local as opposed to</p> <p>16 state to a particular filmmaker.</p> <p>17 CO-CHAIRMAN GROSS: For those who</p> <p>18 just joined us, we're on recommendation 12 of the</p> <p>19 economic development committee. We have a motion</p> <p>20 to adopt that and a second by Jim Anderson.</p> <p>21 Discussion? I will only say that I liked your</p> <p>22 first recommendation better.</p> <p>23 COMMISSIONER LEVI: That we do away</p> <p>24 with it?</p> <p>25 SENATOR WRIGHT-JONES: I agree with</p>
Page 162	Page 164
<p>1 Kansas has a program called peak that allows them</p> <p>2 to take 95 percent of all their withholding taxes</p> <p>3 over a period of ten years and give it back to</p> <p>4 that company.</p> <p>5 It's a tax break of something like</p> <p>6 \$75 million they were able to put together. They</p> <p>7 didn't have any special legislation. They had a</p> <p>8 piece of legislation that passed two years ago in</p> <p>9 Kansas that allowed them to do it. I'm not</p> <p>10 saying that is a good or bad tool, but it's the</p> <p>11 kind of tool that Missouri currently does not</p> <p>12 have to compete.</p> <p>13 CO-CHAIRMAN GROSS: Okay. I</p> <p>14 thought I had made a motion, I did not, it was a</p> <p>15 thought. Pete's motion, and did you have a</p> <p>16 second on your motion?</p> <p>17 MR. ANDERSON: I think I did.</p> <p>18 CO-CHAIRMAN GROSS: We'll say that</p> <p>19 Jim made it, is to adopt recommendation No. 11.</p> <p>20 Further discussion?</p> <p>21 (NO RESPONSE.)</p> <p>22 CO-CHAIRMAN GROSS: Hearing none,</p> <p>23 all in favor of that motion say aye?</p> <p>24 (AYE.)</p> <p>25 CO-CHAIRMAN GROSS: Opposed no?</p>	<p>1 that, actually. I like the first one better.</p> <p>2 This one is, you know.</p> <p>3 CO-CHAIRMAN GROSS: You like the</p> <p>4 first one better, too?</p> <p>5 SENATOR WRIGHT-JONES: I like the</p> <p>6 first one better than this one. This doesn't --</p> <p>7 I don't see where this is helpful.</p> <p>8 CO-CHAIRMAN GROSS: I'll make a</p> <p>9 substitute motion that we go back to the original</p> <p>10 recommendation and eliminate the credit.</p> <p>11 COMMISSIONER LEVI: Second the</p> <p>12 motion.</p> <p>13 CO-CHAIRMAN GROSS: Further</p> <p>14 discussion?</p> <p>15 (NO RESPONSE.)</p> <p>16 CO-CHAIRMAN GROSS: All in favor</p> <p>17 say aye?</p> <p>18 (AYE.)</p> <p>19 CO-CHAIRMAN GROSS: Opposed no?</p> <p>20 CO-CHAIRMAN STOGEL: No.</p> <p>21 CO-CHAIRMAN GROSS: One no, and</p> <p>22 that motion is adopted.</p> <p>23 COMMISSIONER LEVI: Number 13 is</p> <p>24 the rolling stock tax credit, and the</p> <p>25 recommendation is that it be eliminated. I so</p>

<p style="text-align: right;">Page 165</p> <p>1 move.</p> <p>2 COMMISSIONER ANDERSON: Second.</p> <p>3 CO-CHAIRMAN STOGEL: Just for the</p> <p>4 record, some city wants to pay for some movie,</p> <p>5 let them.</p> <p>6 COMMISSIONER LEVI: They can still</p> <p>7 do it, just pay for it.</p> <p>8 CO-CHAIRMAN STOGEL: If it's a</p> <p>9 break even deal for the state, why not let some</p> <p>10 city have some movie, but the Commission has</p> <p>11 decided and we go on to the next one.</p> <p>12 CO-CHAIRMAN GROSS: We have a</p> <p>13 motion and a second on No. 13.</p> <p>14 COMMISSIONER HALL: That's his</p> <p>15 California years.</p> <p>16 CO-CHAIRMAN GROSS: Discussion on</p> <p>17 No. 13?</p> <p>18 (NO RESPONSE.)</p> <p>19 CO-CHAIRMAN GROSS: Shannon Weber</p> <p>20 has joined us, thank you for being here, Shannon.</p> <p>21 All in favor of that motion, say</p> <p>22 aye?</p> <p>23 (AYE.)</p> <p>24 CO-CHAIRMAN GROSS: Opposed no?</p> <p>25 (NO RESPONSE.)</p>	<p style="text-align: right;">Page 167</p> <p>1 CO-CHAIRMAN STOGEL: Ask for an</p> <p>2 amendment to that.</p> <p>3 COMMISSIONER LEVI: I would so move</p> <p>4 to amend.</p> <p>5 CO-CHAIRMAN GROSS: Motion and a</p> <p>6 second discussion on that. I have a question,</p> <p>7 let me just get into 14 here for a second.</p> <p>8 Quality jobs and --</p> <p>9 COMMISSIONER ANDERSON: Did not add</p> <p>10 business facility.</p> <p>11 CO-CHAIRMAN GROSS: Just three, and</p> <p>12 we're going to add to the guiding principles the</p> <p>13 retention? Okay. That's the motion. Everybody</p> <p>14 understand the motion? All in favor say aye?</p> <p>15 (AYE.)</p> <p>16 CO-CHAIRMAN GROSS: Opposed no?</p> <p>17 (NO RESPONSE.)</p> <p>18 CO-CHAIRMAN GROSS: Okay, that</p> <p>19 motion passes with retention added to that</p> <p>20 bulleted list. That was an amendment to your</p> <p>21 motion, so we're back on the main motion of</p> <p>22 recommendation 14 as amended. Discussion on that</p> <p>23 motion to adopt recommendation 14?</p> <p>24 COMMISSIONER WOOD: Why did you</p> <p>25 guys go the withholding tax route?</p>
<p style="text-align: right;">Page 166</p> <p>1 CO-CHAIRMAN GROSS: The</p> <p>2 recommendation is adopted.</p> <p>3 Number 14.</p> <p>4 COMMISSIONER LEVI: Number 14 is</p> <p>5 what we referred to several times, it's kind of a</p> <p>6 global recommendation regarding all of the tax</p> <p>7 credits of the state which essentially says they</p> <p>8 should be rolled in -- at least three of them,</p> <p>9 maybe more, should be rolled into a single</p> <p>10 unified economic development tax credit following</p> <p>11 the guiding principles that we have already</p> <p>12 discussed, and that would allow flexibility, all</p> <p>13 the kind of things we talked about, in order to</p> <p>14 have up front financing, in order to have</p> <p>15 simplicity, and in order to really target where</p> <p>16 potential job growth can become real job growth</p> <p>17 in the state.</p> <p>18 And our recommendation was that the</p> <p>19 general assembly consider adoption of legislation</p> <p>20 like that. I would so move.</p> <p>21 CO-CHAIRMAN STOGEL: Second. Can</p> <p>22 we add job retention to the motion? Put a bullet</p> <p>23 in here for focus on new development and</p> <p>24 retention?</p> <p>25 COMMISSIONER LEVI: Sure.</p>	<p style="text-align: right;">Page 168</p> <p>1 COMMISSIONER ANDERSON: The quality</p> <p>2 jobs provision.</p> <p>3 COMMISSIONER WOOD: Okay.</p> <p>4 CO-CHAIRMAN GROSS: So the</p> <p>5 recommendation that was adopted in 11 to expand</p> <p>6 that program --</p> <p>7 COMMISSIONER ANDERSON: We're not</p> <p>8 recommending that currently be part of the new</p> <p>9 unified --</p> <p>10 CO-CHAIRMAN GROSS: But it will be</p> <p>11 stand-alone?</p> <p>12 COMMISSIONER ANDERSON: Right now</p> <p>13 it's stand-alone. It could be any --</p> <p>14 COMMISSIONER LEVI: Maybe the best</p> <p>15 thing to do in the second paragraph where it</p> <p>16 lists those four, BUILD, enhanced enterprise</p> <p>17 zone, Missouri quality jobs, and others as</p> <p>18 appropriate. No?</p> <p>19 CO-CHAIRMAN STOGEL: Business</p> <p>20 facility?</p> <p>21 COMMISSIONER LEVI: That would</p> <p>22 include -- that would mean business facility.</p> <p>23 CO-CHAIRMAN GROSS: Where you're</p> <p>24 going to eventually lose me just speaking</p> <p>25 personally is -- and I am going to have to ask</p>

Page 169	Page 171
<p>1 this question eventually anyway so I'll do it 2 right now.</p> <p>3 The issue of -- I mean, I am all 4 for flexibility. I'm also trying to be pragmatic 5 in terms of the legislature saying time out, 6 that's the executive branch, we're the 7 legislative branch, we just gave you way too much 8 -- too much power, and that's why I go back now 9 to the Hemenway effect, formerly referred to as 10 the Driscoll effect. My former friend -- it's a 11 rocky road that we have, rocky relationship.</p> <p>12 But please tell us how that -- 13 forget the broader recommendation, even if we had 14 three programs in here under recommendation No. 15 14, how those concerns are addressed in the 16 language here. I got to get specific now.</p> <p>17 COMMISSIONER ANDERSON: As 18 discretionary you mean, Senator?</p> <p>19 CO-CHAIRMAN GROSS: Correct. I 20 heard the recommendation in the committee's 21 report earlier, two weeks ago, now I got to get 22 specific.</p> <p>23 MS. HEMENWAY: Would you like me to 24 address that? Okay. The criticism that 25 currently exists in the different pools of</p>	<p>1 So when you put both of them on the 2 table and you weigh the pros and cons of both, 3 the way that the committee chose to address it is 4 to create a program that is the result of a 5 combination of currently BUILD, enhanced 6 enterprise zone, and quality jobs, that has both 7 an entitlement feature to it, so the base amount 8 of the benefit would be an entitlement given a 9 threshold number of jobs, and that entitlement 10 would come in the form of a withholding tax. Or 11 withholding of their income taxes by the company.</p> <p>12 And then it also goes and says 13 there is an opportunity to give a discretionary 14 tax credit on top of that entitlement based on 15 the characteristics of the -- of the project 16 itself. So if you've already accomplished what 17 you need to accomplish with the entitlement, you 18 stop.</p> <p>19 But it gives you the opportunity, 20 the discretion at the department's determination, 21 to still compete for the particular project 22 within the guiding principles framework, meaning 23 that we -- it still has to -- any benefit that's 24 provided still has to get a one to one or 25 positive return on investment, it allows that to</p>
Page 170	Page 172
<p>1 thought, areas of thought, is that entitlement 2 programs may end up paying for things that you 3 already would have gotten anyway. That you're 4 overpaying.</p> <p>5 But in addition to the possibility 6 that you might be overpaying, you are giving 7 certainty. And you are treating everybody 8 exactly the same way. There is no ability to -- 9 for a company to be treated any differently than 10 another company as long as they're eligible and 11 as long as they're creating jobs. So it has a 12 pro and a con.</p> <p>13 On the other side of the fence, the 14 discretionary programs, discretion, the con on 15 that side of the fence has been that there's too 16 much interference, political play, or opportunity 17 for too much control by any one entity.</p> <p>18 But the positive side of 19 discretionary credits is that you can measure the 20 benefit and measure the value to the project. 21 And that you can eliminate, in many respects, 22 your -- the possibility of overpaying for 23 something. You can apply much more easily a but 24 for in a discretionary program than you can in an 25 entitlement.</p>	<p>1 be put on top of the entitlement.</p> <p>2 So it addresses both of the schools 3 of thought. It addresses both of the criticisms, 4 and it also incorporates both of the positive 5 components of a -- of discretionary credit and an 6 entitlement credit.</p> <p>7 CO-CHAIRMAN GROSS: I think I got 8 it. Let me publicly apologize to both Sallie and 9 Joe Driscoll, who really was a friend of mine. 10 But it's a fact, I'm bringing out the issue that 11 can't be hidden, that that's a concern, whether 12 we call it one or the other.</p> <p>13 SENATOR BARTLE: So would eco devo 14 have the discretion?</p> <p>15 MS. HEMENWAY: The Department of 16 Economic Development, if they hit the threshold, 17 they get the entitlement part, which is if they 18 create X number of jobs, they can keep the 19 withholding tax that's created for those new 20 jobs.</p> <p>21 In certain circumstances, based on 22 other thresholds that are written into the 23 statute, the department would have discretion to 24 add tax credits on top of that entitlement 25 withholding as long as it met the guiding</p>

Page 173	Page 175
<p>1 principles that the committee has laid out. 2 As long as the combination of 3 withholding and tax credits still gains a 4 positive return for the state within a defined 5 period of time, and it still meets all of the 6 parameters that are set out in the statute. 7 COMMISSIONER GARDNER: Sallie, can 8 you mute that or turn the volume button down on 9 that phone? It is the most annoying thing in the 10 world. 11 CO-CHAIRMAN GROSS: Somebody has 12 their phone on hold, I guess. 13 COMMISSIONER GARDNER: We need to 14 tell people that they can't put their phone on 15 hold, they need to just hang up and call back in 16 as opposed to -- we listened to, what -- 17 COMMISSIONER JOYNER: Me. I 18 apologize. I will take this opportunity to 19 apologize to the Commission. 20 COMMISSIONER GARDNER: But it 21 really is annoying. 22 CO-CHAIRMAN GROSS: Anybody that's 23 on the phone, for anybody that's on the phone, if 24 you have to leave, don't put your phone on hold, 25 just call back in, please.</p>	<p>1 time. Insulate it from politics. 2 CO-CHAIRMAN GROSS: Is the joint 3 committee just legislative? 4 MS. HEMENWAY: Yes. The joint 5 committee is just legislative. 6 CO-CHAIRMAN GROSS: Is there a 7 committee that contains both executive and 8 legislative personnel in economic development? 9 No? I just wanted to make sure. 10 MR. PIEPER: Quality jobs has a 11 quality jobs advisory board, but those were -- 12 they're appointees and they haven't been 13 appointed. But that's kind of what Senator 14 Bartle is getting at, but I'm hearing that it 15 would have a member of -- somebody appointed by 16 -- and there's plenty of models for that kind of 17 committee structure. 18 MS. HEMENWAY: And I would only 19 offer up one comment in that the -- the 20 expectation of businesses today in terms of a 21 decision or proposal from a particular state or 22 city is very quick. So if we add a layer that's 23 going to take time, we're going to get out of the 24 game. 25 COMMISSIONER ANDERSON: That's my</p>
Page 174	Page 176
<p>1 COMMISSIONER LEVI: Senator, I 2 would say another part of the answer to your 3 question is the most important thing in this 4 concept of a global economic development program, 5 the details are far from being clear at this 6 point, and when it says the committee recommends 7 the general assembly adopt, I assume that means 8 the general assembly would also adopt whatever 9 controls are appropriate to ensure the blanket 10 effect does not occur. 11 CO-CHAIRMAN GROSS: Sure, but -- 12 absolutely, but somebody's going to go to her and 13 say how do we do this, and I wanted to hear her 14 say how they would do that in the department. 15 SENATOR BARTLE: I like the idea of 16 giving more discretion. I think we've got to be 17 very careful that it doesn't look like we're 18 saying the governor should have a lot more. 19 So I'm wondering whether you could 20 put together some kind of -- not in eco devo, but 21 yet -- like the director of economic development, 22 somebody from the legislature, you know, in some 23 kind of independent committee so we wouldn't be 24 giving discretion to whatever person happened to 25 be the governor of the State of Missouri at that</p>	<p>1 only concern as well. I want to be real careful, 2 Senator, that I don't have an unintended 3 consequence. The recommendation is that the 4 general assembly adopt this unifying credit and 5 obviously establish those ground rules, and to 6 your point, there may be the lack of faith to say 7 here is the discretion. 8 The key is obviously balance 9 between entitlement and discretion. Those 10 details are going to be the controversy as they 11 were last session. 12 COMMISSIONER LEVI: Did I make a 13 motion? 14 CO-CHAIRMAN GROSS: I think we had 15 a -- 16 COMMISSIONER LEVI: I'll make a 17 motion to adopt. 18 COMMISSIONER ANDERSON: Second. 19 CO-CHAIRMAN GROSS: I had raised 20 the question back on 11 whether that was -- 21 COMMISSIONER JOYNER: To be 22 included. 23 CO-CHAIRMAN GROSS: If it should be 24 included or eliminated. 25 COMMISSIONER LEVI: Would it be</p>

<p style="text-align: right;">Page 177</p> <p>1 better to include it with the other, the BUILD, 2 enhanced -- 3 (Off the record.) 4 CO-CHAIRMAN GROSS: Okay. Let's go 5 back on the record. I need to back up to a 6 motion by Pete Levi to -- 7 COMMISSIONER LEVI: Add business 8 facility to the list in the second paragraph. 9 CO-CHAIRMAN GROSS: And Jim 10 Anderson seconded that motion. 11 Now, the discussion, the reason I 12 brought that up is I was not in favor of 13 recommendation No. 11, and I wanted that credit 14 to go away. So adding it in, just so you know, 15 it doesn't help me because I wanted it to go 16 away. The reason I let it go was because I 17 thought it would be caught up in enough of 14 18 that we wouldn't need it anymore. That we would 19 need No. 11 anymore. 20 COMMISSIONER LEVI: Does it help 21 you to have it in that list? 22 CO-CHAIRMAN GROSS: I'm in limbo. 23 We have it in No. 1 approved as a separate 24 recommendation. If we -- 25 COMMISSIONER LEVI: But we have the</p>	<p style="text-align: right;">Page 179</p> <p>1 we were working on the global issue that was 2 brought up in some of our other conversations, 3 how do we make these programs more efficient, but 4 then get the biggest bang for our buck out of 5 them, and that's why I think you see this 6 recommendation out of our conversations. 7 COMMISSIONER LEVI: I made a 8 motion, if you don't want me to do it, I'll 9 withdraw. 10 CO-CHAIRMAN GROSS: No -- we have a 11 motion and a second to add business facility to 12 No. 14. Further discussion? 13 (NO RESPONSE.) 14 CO-CHAIRMAN GROSS: All in favor, 15 say aye? 16 (AYE.) 17 CO-CHAIRMAN GROSS: Opposed no? 18 No. And that motion is adopted. In the old day, 19 I would say that motion was defeated. 20 Okay. So we now have amended No. 21 14. Further discussion on that motion which was 22 also made by Pete and seconded by Jim? Further 23 discussion on that? 24 (NO RESPONSE.) 25 CO-CHAIRMAN GROSS: Seeing none,</p>
<p style="text-align: right;">Page 178</p> <p>1 others approved as well. We have BUILD, enhanced 2 enterprise, all these are already approved in 3 previous recommendations, so it would be logical, 4 then, to put business facility in this list in 5 No. 14. It's the same as the others. 6 CO-CHAIRMAN GROSS: It would if you 7 support the business facility credit. And that's 8 what the discussion was. But let me ask you a 9 question. Some of this is just procedural, but 10 the question is by specifically listing those 11 three to be in the combined program, then does 12 that then wipe out all of the others? 13 COMMISSIONER LEVI: Not 14 necessarily. 15 CO-CHAIRMAN GROSS: I wasn't 16 assuming that. I want to have the discussion so 17 we're clear on what we're doing there. And 18 again, that's the reason why on 11 I said okay, 19 if we're going to discuss this issue of job 20 retention when we get to 11, maybe I shouldn't 21 have let 11 go. But that's why I let it go. I 22 think this is an argument of one instead of any 23 more, but maybe not. 24 REPRESENTATIVE KOMO: Our intention 25 was trying to look at this with the tax credits</p>	<p style="text-align: right;">Page 180</p> <p>1 all in favor of that motion say aye? 2 (AYE.) 3 CO-CHAIRMAN GROSS: Opposed no? 4 (NO RESPONSE.) 5 CO-CHAIRMAN GROSS: The motion 6 carries. 7 Pete, question for you, please. 8 When we talked about this the first time around 9 and the cap that would be created by combining 10 these three programs, I might just ask Sallie to 11 help me out and recollect this, we reduced the 12 size of the total cap, did we not? 13 COMMISSIONER LEVI: We added the 14 last sentence on the first paragraph. There's 15 another sentence we added someplace too. 16 CO-CHAIRMAN GROSS: I remember now, 17 and I saw it earlier today. So I remember now. 18 Thank you. All right. 19 Where are we, 15? 20 COMMISSIONER LEVI: 15 would take 21 the \$4.5 million we just saved from the film tax 22 credit, and use it to establish new angel tax 23 credit program. The purpose of which would be to 24 encourage equity investment and technology based 25 early stage Missouri companies.</p>

<p style="text-align: right;">Page 181</p> <p>1 This has been considered by the 2 general assembly a couple times, and it is a tool 3 that would be very, very helpful to growth in 4 Missouri businesses. So I would make the 5 recommendation that the committees approve 6 recommendation 15. 7 MR. ANDERSON: Second. 8 CO-CHAIRMAN GROSS: Motion and a 9 second to approve recommendation 15. Discussion? 10 SENATOR BARTLE: I just would urge 11 folks to vote no on this. 12 COMMISSIONER WOOD: This isn't data 13 centers, is it? 14 SENATOR BARTLE: This has been up 15 before the legislature and rejected so far, and 16 it's just adding to our problem. Making the 17 number harder and furthermore elusive. 18 REPRESENTATIVE FLOOK: This has 19 been passed in the house three times that I can 20 think of, and it's rejected at the senate so the 21 deliberative body says no. 22 I would say I support the angel 23 venture tax credit, but I think it should only be 24 done if we're willing to, as a state, to make the 25 significant reductions in the other programs that</p>	<p style="text-align: right;">Page 183</p> <p>1 CO-CHAIRMAN GROSS: Representative 2 Komo? 3 REPRESENTATIVE KOMO: And that's 4 kind of a -- when we had this discussion in our 5 subcommittees, as was brought up, the angel, we 6 try to live within the credits we're responsible 7 for, see where some cuts can be made. I think 8 we've made some cuts within the realm that we are 9 working in, and that's why the recommendation 10 kind of comes up with the film tax credit 11 elimination, money would be there, so. 12 I know it's -- we need to get it 13 down even farther, but we did look internally at 14 what we were working with to try to find some 15 savings to come up with this. 16 CO-CHAIRMAN GROSS: I believe as we 17 move down the table here, I believe this is a, 18 probably a good idea; maybe I wouldn't, if I was 19 in the legislature, agree with it; but I like the 20 idea of this, but I think it is the wrong 21 direction for this Commission to go to be adding 22 new tax credits. We, again, we did not invite 23 people to come in and give us ideas on new tax 24 credits, and I think we should not go down this 25 road.</p>
<p style="text-align: right;">Page 182</p> <p>1 we've talked about that are over utilized. 2 Because this deals, again, with the 3 intrastate competition issue. Oklahoma has one 4 of these -- 5 COMMISSIONER ANDERSON: Wisconsin 6 is another model. 7 REPRESENTATIVE FLOOK: Some other 8 states are using this to effectively keep private 9 capital flowing into their state for new 10 projects, and we have nothing really to offer. 11 In fact, I will tell you that we 12 had one witness lined up who was a new start-up 13 company in -- it's a science related product. 14 They'd reached the level for that next level of 15 venture capital, and we were going to have them 16 come testify about why we were needing it. 17 And when we called to ask them if 18 they could come down, they said no, we're getting 19 ready to pack up and move to San Diego, they have 20 an angel investor tax credit, we found a good 21 investor and they've invited us to move. 22 I hear where Senator Bartle is 23 coming from, and I would say I support this, but 24 we have to make the corresponding reductions 25 somewhere else.</p>	<p style="text-align: right;">Page 184</p> <p>1 Anybody else? We have a motion and 2 a second. All in favor of the motion, say aye? 3 (AYE.) 4 CO-CHAIRMAN GROSS: Opposed to say 5 no? No, no, no. Show of hands. All in favor 6 raise your hand. 7 CO-CHAIRMAN GROSS: 13, all 8 opposed, raise your hand. Five, okay. Anybody 9 on the phone want to vote yes on the motion? 10 COMMISSIONER MARBLE: Yes, Marble. 11 COMMISSIONER RECTOR: No, Penney 12 Rector. 13 CO-CHAIRMAN GROSS: Anybody else? 14 Okay. The motion passes overwhelmingly 14 to six 15 or something like that. 16 COMMISSIONER LEVI: I apologize for 17 the length. 18 CO-CHAIRMAN GROSS: Great work by 19 your committee, and we're on to tax law. 20 CO-CHAIRMAN STOGEL: Since the last 21 meeting I went back and looked at the -- tried to 22 refine some stuff. One of the questions were how 23 do tax law changes affect donation credits, 24 social credits, affordable housing, and MDFB 25 contribution credits.</p>

Page 185	Page 187
<p>1 So on a -- there's separate 2 recommendations here, but as a whole, the tax law 3 committee breaks their work down into three 4 parts, and I know for the record, I got great 5 help from a three -- three law firms and an 6 accounting firm and spent a great deal of time 7 working with Mark Gardner on the low income that 8 was never reached in the historic committee. 9 And with that background, there's 10 an embedded federal tax cost in all the tax 11 programs. So one suggestion is to go to Congress 12 and try to change the federal law to either -- to 13 either have a full credit for state taxes paid 14 when you use certificates so you don't have a 15 reduction in your income tax deduction and 16 therefore increase your federal taxes. 17 The second recommendation at the 18 congressional level was targeted to low income 19 and historic, which the National Trust for 20 Historic Preservation actually has a bill 21 drafted. The theory being the federal government 22 shouldn't hack state funds, subsidies, credits at 23 all and not have it be income recognized. 24 A modification of that theory is a 25 technical one under what would be a new section</p>	<p>1 ordinary income and it's not a priority given 2 other things the state might pursue. 3 And the last recommended change is 4 strictly state legislative, and what it does is 5 addresses a narrow way that the embedded federal 6 tax costs for historic and then separately low 7 income are each dealt with. 8 But a legislative change to create 9 a new governmental entity through DED that would 10 get their certificates, sell them, and then grant 11 the money to the project would eliminate the need 12 for lost partner structuring. Bryan Cave has 13 written two excellent memorandums that detail 14 this, and there is significant savings that 15 result from that legislative action. 16 So the federal historic -- I'm 17 sorry, the state historic could become more 18 efficient, and as you'll hear when Mark Gardner 19 does his low income report, Mark and that 20 committee have spent a considerable amount of 21 time on a very exciting new thought which is to 22 use the state legislative package to not only 23 increase the tax efficiency of low income for yet 24 to be issued credits, but on -- also on credits 25 that have already been issued.</p>
Page 186	Page 188
<p>1 called 732G which attaches basis for the credits. 2 If Congress could do all that, there would be a 3 substantial savings for the federal because the 4 federal tax changes for each of donation credits, 5 historic, or low income. 6 So one recommendation is to pursue 7 that as a state. The second recommendation is 8 more targeted. There is a private letter ruling 9 that actually holds that if you have a state 10 transferable certificate, it was a 2003 private 11 letter ruling, that reduces state tax liability, 12 it nevertheless counts as a payment for deduction 13 under 164A, and a private letter ruling applies 14 to one taxpayer in one instance. 15 Now, instead of a change in law, if 16 the State of Missouri wanted to, for donation 17 credits particularly, as well as historic and low 18 income, sponsor a revenue ruling for -- to get a 19 published revenue ruling so all taxpayers could 20 rely on it. It would have a dramatic impact to 21 create tax efficiency in the low income and 22 historic and donation area. 23 Another technical revenue ruling 24 that the state might want to pursue is very 25 esoteric and it deals with capital assets versus</p>	<p>1 The recommendation is we should 2 pursue all of these things because part of the 3 charge from the Commission is find deficiencies. 4 None of the individual 5 recommendations can yet factor these in because 6 none of them are enacted. But should federal law 7 get changed or revenue rulings get issued or 8 state law get changed, all the credit programs 9 should have a tax -- as a global thought, a tax 10 adjustor equivalency factor so we no longer use 11 our state tax credits to send money to Uncle Sam. 12 So depending on how you get there, 13 that's the purpose of these details, and it would 14 be a work in process for next year. 15 CO-CHAIRMAN GROSS: You want to 16 make it a motion? 17 CO-CHAIRMAN STOGEL: I make a 18 motion that we keep trying. 19 COMMISSIONER GARDNER: You might 20 just elaborate on anticipated timing, how long 21 you would anticipate it would take to do the 22 various things we've talked about here. 23 CO-CHAIRMAN STOGEL: In terms of 24 federal tax law change at the congressional 25 level, the best guess is who knows if at all.</p>

47 (Pages 185 to 188)

<p style="text-align: right;">Page 189</p> <p>1 Revenue rulings are four to six month process. 2 The state law stuff is strictly 3 within control of the legislature and would 4 effect substantial savings, and the reports 5 detail how, and Mark Gardner for the low income 6 will report the mathematics. 7 And it's an immediate savings and 8 it could also lead to an effective savings for 9 already issued credits. I mean, they're quite 10 real ideas, though some will take more time than 11 others to try to get, but if they're gotten, the 12 tax credits can be made much more efficient. 13 And the reason it's never been done 14 before is we've never really had on an individual 15 case by case basis a sovereign in front of the 16 notion there should be this kind of radical 17 change, and we've talked about national trust or 18 historic preservation or the low income 19 association or an economic development group. 20 Everybody has talked about this 21 issue of the federal tax implication on state 22 credits for a long time, but the State of 23 Missouri might become a trailblazer and build 24 some momentum in the new Congress to actually get 25 something like this heard next year.</p>	<p style="text-align: right;">Page 191</p> <p>1 a recommendation from the committee, it's 2 calculable how it should change, and it would be 3 of real savings to the State of Missouri. 4 CO-CHAIRMAN GROSS: Okay. Any 5 questions on the report? 6 (NO RESPONSE.) 7 CO-CHAIRMAN GROSS: Seeing none, 8 let's take a break until maybe 3:20, 3:25. Ten, 9 15 minutes to stretch your legs. We're recessed. 10 (Off the record.) 11 CO-CHAIRMAN GROSS: We're going to 12 skip over global and go to low income. 13 COMMISSIONER REEVES: I just 14 wondered, going back to the tax issue, I just 15 wondered if we did or should have a formal motion 16 to adopt those recommendations. 17 I feel pretty strongly that this is 18 really potentially a big deal, and I think the 19 committee and Steve have taken what is a very 20 complex bunch of issues that nobody would ever 21 normally grasp, or want to, and boiled them into 22 three very concise suggestions as to direction 23 and responsibility and accountable for how to 24 pursue it. 25 And I think, you know, the state</p>
<p style="text-align: right;">Page 190</p> <p>1 It would be a big pickup for the 2 mathematics here. We can take none of it to the 3 bank today, but it's something that DED should 4 take a leading role in and get volunteers to 5 continue to work on this, because folks who have 6 helped me write all of this at Bryan Cave and 7 Husch Eppenger and Rosenblum Goldenhersh will 8 all continue to work to help not only this state, 9 but the other 49 states who have tax credit 10 programs who have the exact same issue, should 11 the federal government tax state incentives, and 12 the answer should be no. 13 CO-CHAIRMAN GROSS: The question I 14 have is I'm trying to recall in a social 15 contribution credit report did we adopt a 16 recommendation that relied on the passage of one 17 of these three? 18 CO-CHAIRMAN STOGEL: No. The 19 social contribution said there should be a 20 reduction, keep the credits the same, and try to 21 raise more money especially with the broadened 22 definition of taxpayer. 23 If any of these federal law, 24 federal revenue rulings, or state law changes are 25 enacted and there's a tax equivalency adjustor as</p>	<p style="text-align: right;">Page 192</p> <p>1 really should take these and run with them 2 because the potential is really huge, and you 3 know, the -- I think the direction is very clear. 4 So, I mean, if I could make a 5 motion to formally adopt those three suggestions 6 as -- as a little bit more than that, I'd like to 7 do that. 8 CO-CHAIRMAN GROSS: Okay. We have 9 a motion. 10 COMMISSIONER HALL: I'll second. 11 CO-CHAIRMAN GROSS: And a second by 12 Bill Hall to adopt all three of the 13 recommendations? 14 COMMISSIONER REEVES: Yes. 15 CO-CHAIRMAN GROSS: One of them is 16 the change in federal tax law, I am on page 17. 17 And that's one. Number 2 is the IRS ruling plan. 18 CO-CHAIRMAN STOGEL: And there's 19 two components to that. 20 CO-CHAIRMAN GROSS: Right. And 21 three is the change in state law plan. People 22 can look on page 17 to see what those say. 23 Discussion on those? Or on the recommendation 24 and the motion? We have a second by Bill Hall. 25 Further discussion?</p>

Page 193	Page 195
<p>1 (NO RESPONSE.)</p> <p>2 CO-CHAIRMAN GROSS: Seeing none,</p> <p>3 all in favor of the motion say aye?</p> <p>4 (AYE.)</p> <p>5 CO-CHAIRMAN GROSS: Opposed say no?</p> <p>6 (NO RESPONSE.)</p> <p>7 CO-CHAIRMAN GROSS: Okay. Now</p> <p>8 we're done with the tax law committee. Thank</p> <p>9 you, Steven.</p> <p>10 CO-CHAIRMAN STOGEL: Thank you.</p> <p>11 CO-CHAIRMAN GROSS: And now we're</p> <p>12 back to low income.</p> <p>13 COMMISSIONER GARDNER: Can I have a</p> <p>14 microphone down here?</p> <p>15 MR. PIEPER: For the Commission's</p> <p>16 benefit, on the open items document because we</p> <p>17 switched, page 26 is where the low income housing</p> <p>18 recommendations begin. The global issues were</p> <p>19 before that.</p> <p>20 CO-CHAIRMAN GROSS: Page 26. Mr.</p> <p>21 Gardner.</p> <p>22 COMMISSIONER GARDNER: The -- what</p> <p>23 I'm going to do is cover the recommendations, but</p> <p>24 I also want to -- we sent out a second</p> <p>25 supplemental report yesterday, and I think you</p>	<p>1 obviously shorten the time frame to the credit,</p> <p>2 and we recommended that it be, you know, the</p> <p>3 perfect world you have a one year credit. That</p> <p>4 would dramatically cut the cost of the credit.</p> <p>5 The problem with -- I mean, you</p> <p>6 could go to probably somewhere around a \$65</p> <p>7 million annual credit which would be</p> <p>8 substantially below the historic credit.</p> <p>9 The -- and one of the things I've</p> <p>10 tried to do in the past is when you compare and</p> <p>11 contrast the low income credit, the low income</p> <p>12 credit is a bigger credit, but it generates less</p> <p>13 equity than the historic credit does because the</p> <p>14 historic credit came after the low income and I</p> <p>15 guess somebody saw the wisdom of creating the one</p> <p>16 year credit as opposed to the 10 year credit.</p> <p>17 Now, we as a committee recommended</p> <p>18 that we -- the best thing we could do to improve</p> <p>19 the efficiency of this credit was make it a one,</p> <p>20 a three, or a five year credit.</p> <p>21 After really looking at the numbers</p> <p>22 and thinking about this, I personally am</p> <p>23 advocating that we go to a five year credit. I</p> <p>24 think it makes the credit more efficient,</p> <p>25 substantially more efficient as we'll go through</p>
Page 194	Page 196
<p>1 all now have that in your packets.</p> <p>2 We were asked to do that, kind of</p> <p>3 explain perhaps better exactly how the 10 year</p> <p>4 credit works versus a five year credit versus a</p> <p>5 one year credit. And as we discussed, this ties</p> <p>6 in with recommendation 1.</p> <p>7 As we previously discussed, the low</p> <p>8 income tax housing credit's currently a 10 year</p> <p>9 credit. It's inherently inefficient by virtue of</p> <p>10 the fact that it is a ten year credit. We've got</p> <p>11 time value of money, it gets dramatically</p> <p>12 discounted --</p> <p>13 MR. MARBLE: Can you please speak a</p> <p>14 little closer to the speaker phone?</p> <p>15 COMMISSIONER GARDNER: What I was</p> <p>16 talking about, can you hear now on the phone?</p> <p>17 MR. MARBLE: That's better. Thank</p> <p>18 you.</p> <p>19 COMMISSIONER GARDNER: We were</p> <p>20 talking about the first recommendation on the low</p> <p>21 income housing tax credit and the fact that</p> <p>22 because the credit is a 10 year credit, it's</p> <p>23 inherently inefficient. And so what can we do to</p> <p>24 make that a more efficient credit.</p> <p>25 The first thing you can do is</p>	<p>1 the charts and graphs in here in a moment, but</p> <p>2 what it also maybe does is lay the ground work</p> <p>3 for maybe five years from now, maybe seven years</p> <p>4 from now, we convert it to even a shorter time</p> <p>5 frame.</p> <p>6 There is a transition cost when you</p> <p>7 go from a 10 year to a five year or a 10 year to</p> <p>8 a three or a 10 to a one. The transition cost is</p> <p>9 greater the more you shorten the time period.</p> <p>10 And honestly, I think within the</p> <p>11 current budget constraints and what we're</p> <p>12 anticipating the next four to five years, I don't</p> <p>13 think there's any way we can afford to go to a</p> <p>14 one or three year credit at this time. I think</p> <p>15 we can go to a five year. That, of course,</p> <p>16 dramatically reduces the cost of the credit.</p> <p>17 If you will go to the series of</p> <p>18 charts that are in the back of your new handouts,</p> <p>19 you will -- what I basically tried to do for</p> <p>20 those of you who are not familiar and who don't</p> <p>21 deal with it, the low income housing tax credit,</p> <p>22 it can be a little complicated and a little bit</p> <p>23 difficult to understand, particularly the impact</p> <p>24 it has when you're dealing with the cumulative</p> <p>25 effect of 10 years of a credit versus the</p>

Page 197	Page 199
<p>1 cumulative effect of a five year credit. 2 And what we did in chart 1, if you 3 look at chart 1, this just is the hypothetical 4 chart, and it starts out with what if we had a 5 five year credit as opposed to a 10 year credit? 6 And this assumes -- 7 MR. MARBLE: Hey, Mark, I'm sorry 8 to impose again. I -- maybe it's my phone, maybe 9 I just ought to drop off and read the transcript, 10 but is it possible to take that speaker phone and 11 put it closer to where you're presenting? 12 COMMISSIONER GARDNER: We're moving 13 it. We've got it moved. 14 Okay. What we did in chart 1 is we 15 assumed that what the tax credit committee -- we 16 hope the tax credit committee can achieve its 17 stated goal of basically transferring taxable 18 basis from a partnership interest into a 19 certificate or into the credit itself. 20 We have had some indications from 21 the industry, experts in the industry, that don't 22 think that that's a big leap. Trying to make 23 state tax credits non-taxable period, the 24 consequences of either the sale or the capital 25 contribution non-taxable in totality is probably</p>	<p>1 at 19.2 million annually which, as you can see -- 2 and that's, by the way, that number is the 3 maximum permissible under state law at the 4 current time. 5 That's 13.2 million annual credit 6 for the 9 percent credit, and 6 million annually 7 for the 4 percent credit. It totals 19.2 8 million, which translates if you issue that for 9 10 years, it's \$192 million. 10 And as you can see with a 10 year 11 credit, and probably the reason it may have 12 started out this way, is it's cheaper initially 13 to do the 10 year credit. It's not until you get 14 out to about the fifth year that they start 15 costing about the same. 16 The problem is the 10 year credit 17 goes on for 10 years. And until that credit has 18 been out there for 10 years, you don't ever hit 19 the maximum cost. So after 10 years now, all of 20 a sudden this credit's costing you \$192 million. 21 Whereas a five year credit, the same basic 22 credit's going to cost you 115. 23 And it just -- the purpose of this 24 graph was simply to show how the comparison of 25 efficiency and the fact that the one year -- or</p>
Page 198	Page 200
<p>1 a much, much tougher thing to sell in Congress. 2 But simply letting you allocate your basis for 3 your capital contribution, whatever you paid to 4 the credit as opposed to the partnership 5 interest, shouldn't be that controversial, and we 6 think that that can happen. Okay? 7 Assuming that can happen, what 8 we're showing here in chart 1 is the value of a 9 five year credit compared to the value of a 10 10 year credit and the cost to the state. You get 11 the equivalent value of -- out of a \$23 million a 12 year for five years as you do for 19.2 million 13 over 10 years. 14 And if you look along the chart, 15 you see that it -- if you're within a credit 16 that's a five year credit, for example, your 17 maximum cost kicks in after five years. First 18 year only costs you 23 million because you're 19 only redeeming the first year, but as those years 20 start accumulating, you hit a maximum cost of 115 21 million. And once you hit that maximum cost, you 22 stay there forever. 23 But -- so under the five year 24 credit, we have a maximum cost -- we have a cost 25 of 115 million. Now, the 10 year credit is shown</p>	<p>1 the five year credit is a far more efficient 2 credit. Okay? Which obviously is -- gets to the 3 point of why we're recommending a shortened 4 credit. 5 You know, one of the things we were 6 asked to do -- the other thing we'll get to at 7 chart 2, we were asked how can you approve this 8 credit? And again, I know this is sort of 9 repetitive for those of you who were at the past 10 meeting, but we looked at it and because there 11 was a 10 year supply outstanding and -- and by 12 the way, it's being redeemed more like at 165 13 million a year as opposed to 192, 192's the 14 maximum. We haven't issued the maximum in the 15 last three years. 16 But we try to figure out how can we 17 make this credit more efficient, what do we do 18 with this credit? And if you -- if you 19 eliminated the credit tomorrow, you're not going 20 to see much impact for several years because you 21 got 10 years of credits out there already. 22 And if you reduce the credit by 23 some number, it's -- first of all, the impact 24 will not be felt for three years because there's 25 a lag time between when the credit is issued by</p>

Page 201	Page 203
<p>1 MHDC and when you actually start seeing 2 redemptions. There's a process. Applications 3 are made. The credit's issued. Or allocated, 4 actually.</p> <p>5 And then the project has to be 6 built, has to be leased up before you start 7 earning credits. And in many cases it could be 8 three years from the time you actually got your 9 project approved until it's actually generating a 10 full stream, full one year stream of credits. So 11 the impact, anything we do today, the impact's 12 not going to be felt for a while.</p> <p>13 Now, we go to chart 2, and the 14 intent here of chart 2 is to show that -- what we 15 did is we took actual data -- everything that's 16 above the line and not shaded is actual data that 17 we had. Below the line is projected, and this 18 is, you know, what the credit could cost if the 19 maximum amount of credits are issued and assuming 20 they're all redeemed.</p> <p>21 And we know from history that 22 they're not all redeemed, but basically what I 23 was doing with these charts is taking kind of a 24 worst case scenario.</p> <p>25 You'll see that the cost, the -- in</p>	<p>1 the maximum number that you would have in chart 2 2 assuming you had the maximum.</p> <p>3 Now, these are really just 4 background information to give you an idea what 5 would happen if business continued as usual. 6 Nothing happens to the credit to make it more 7 efficient.</p> <p>8 Then we get to chart 4, and in 9 chart 4 what we're showing is what happens if you 10 reduce the credit to a five year credit. Now, 11 what we've pointed out is you can, for roughly 23 12 million a year in a five year credit, you can get 13 the same amount as you can get for 19.2 million 14 in a 10 year credit. The difference is it only 15 costs you over five years 115 million versus 192 16 million.</p> <p>17 Now, this chart assumes that you 18 are fully funding both the 4 percent credit, 19 which is the bond credit, and fully funding the 9 20 percent credit. So it's the equivalent of 192 21 million, but what it does, what you'll see is 22 below the line, you'll see the impact.</p> <p>23 You'll see that actually during the 24 transition to the five year credit, all of a 25 sudden instead of issuing 19.2 million, you're</p>
Page 202	Page 204
<p>1 2010, issued credits were 15 million which would 2 be the quote of 150 over 10 years. I assumed in 3 2011, worst case scenario again, that you would 4 issue 19.2 million a year or 192. Not going to 5 happen probably, but, again, this is the worst 6 case scenario. And what it shows you is how, you 7 know, how the cost creeps up and ultimately what 8 it ends up being.</p> <p>9 If you go to chart 3, we basically 10 demonstrate the same information, and now it's 11 important to understand that the -- if you go to 12 years 2008 and 2009, for example, those were the 13 supplement report of the bubble years. We had a 14 very large issuance of credits in 2008 and 2009.</p> <p>15 And then you'll see it dropped off 16 to 15 in 2010, and before those bubble years it 17 was more like 13, 14, 15. What we've assumed 18 here is that, just for hypothetical purposes, if 19 you assumed that instead of the worst case 20 scenario of 192 million a year, you were actually 21 only using -- issuing 16.5 a year, which is 22 probably more in line with what's happened during 23 the past three years.</p> <p>24 Then it shows the cost that you 25 would experience, and it's significantly below</p>	<p>1 issuing 23 million, and so there is a period of 2 time when the actual redemptions are going to go 3 up in amount. It's going to cost you more for 4 about the first five years.</p> <p>5 And then you'll see starting at -- 6 we assumed that this would start in 2014. Okay? 7 But then you go to 2019, and you start seeing the 8 dramatic fall off of cost. You go from 172 9 million to 153 to 134 to 115 to 115. And what 10 that's showing you is once that conversion has 11 been made, you're no longer spending 150 to 190 12 million a year, you're down to 115. You've cut 13 the total cost dramatically.</p> <p>14 Chart 5 is essentially the same as 15 4, it will show slightly lower numbers because 16 rather than assuming the worst case scenario for 17 2011 through 2013, we assume that only 16.5 18 million of credits would be issued which is about 19 what has been going on for the past three years, 20 and then you would have the switch over to a five 21 year credit.</p> <p>22 And if you will compare the cost or 23 the bottom line numbers, the fiscal year totals 24 of 4 and 5, you will see that obviously we saved 25 a little bit of money, chart 5, because we never</p>

51 (Pages 201 to 204)

Page 205	Page 207
<p>1 got up to the 192 million.</p> <p>2 Then chart 6 -- and, you know, you</p> <p>3 all may want to take some time to actually study</p> <p>4 these, I know it's a lot of data to look at. But</p> <p>5 what we did in chart 6 is we said let's go back</p> <p>6 to chart 4 and say this is, again, the worst case</p> <p>7 scenario, we're going to issue 192 million a</p> <p>8 year, or 19.2 million a year in credits, and the</p> <p>9 transition is not going to occur until 2014 to</p> <p>10 the five year credit.</p> <p>11 Once it, you know -- first of all,</p> <p>12 what is the fiscal year totals, and then let's</p> <p>13 make an assumption. Let's make an assumption.</p> <p>14 You know, we've talked about a</p> <p>15 buyback, and how the state might buy back</p> <p>16 outstanding inventory credits, and I think we all</p> <p>17 agreed that made a lot of sense to the extent the</p> <p>18 state could buy them back at a discount to face</p> <p>19 value because the discount is going to be</p> <p>20 substantially greater, the discount rate is going</p> <p>21 to be substantially greater than the cost to the</p> <p>22 state to get money, whether the state borrows</p> <p>23 money or whatever source it uses.</p> <p>24 But what I -- what the tax</p> <p>25 committee and I came up with, and really the</p>	<p>1 10 percent discount?</p> <p>2 Well, 10 percent discount, as the</p> <p>3 footnote explains, assumes that 50 percent of the</p> <p>4 credits that are outstanding could be redeemed at</p> <p>5 a 20 percent discount because of the new --</p> <p>6 because the credit would be given the tax</p> <p>7 attributes of the five year credit which</p> <p>8 essentially is based in the credit.</p> <p>9 And we figured out that the state</p> <p>10 could save \$80 million, and you do it starting in</p> <p>11 hypothetically 2011. You really probably</p> <p>12 couldn't do it until 2012, but in any event, you</p> <p>13 see the annual savings to the state if it could</p> <p>14 exchange those credits. That more than pays for</p> <p>15 the cost of transitioning to a five year credit.</p> <p>16 We then went to the next set of</p> <p>17 numbers down and said, well, what about if we</p> <p>18 make more conservative assumptions? Let's just</p> <p>19 assume 25 percent of the outstanding credits are</p> <p>20 exchanged at a 20 percent discount. And that</p> <p>21 would result in an overall discount of the</p> <p>22 outstanding credit inventory of 5 percent.</p> <p>23 And under that scenario, you save</p> <p>24 about \$40 million over the term of the</p> <p>25 outstanding balance of the supply of 10 year</p>
Page 206	Page 208
<p>1 credit goes to the tax committee; what if we --</p> <p>2 if we are able to give the outstanding inventory</p> <p>3 of tax credits the same tax attributes of the new</p> <p>4 five year credit?</p> <p>5 So, in other words, you can assign</p> <p>6 basis to the credit and you can exhaust your</p> <p>7 capital account or write off your capital account</p> <p>8 each year, the cost of your credit each year that</p> <p>9 you use it. That's going to make that credit</p> <p>10 more valuable.</p> <p>11 So if we offered the outstanding</p> <p>12 holders of this inventory, whether they're</p> <p>13 syndicators or investors, the ability to exchange</p> <p>14 the old 10 year credit for -- it would still be a</p> <p>15 10 year credit, but it would simply have the tax</p> <p>16 attributes of the new credit, what could we</p> <p>17 accomplish by doing that, and could we, for</p> <p>18 example, pay the cost of transitioning to the new</p> <p>19 credit, the new five year credit?</p> <p>20 And the answer was, if you got --</p> <p>21 and I think this was probably an optimistic</p> <p>22 assumption, but we assumed in the yellow, and it</p> <p>23 didn't come through in yours in yellow and green,</p> <p>24 I don't think, but at the top one, it says what</p> <p>25 happens if you have a savings to this date at a</p>	<p>1 inventory. So what that was really just designed</p> <p>2 to show is how not only can we save money on a</p> <p>3 going forward basis with a new five year credit</p> <p>4 with new tax attributes, but we can actually save</p> <p>5 money on the outstanding inventory.</p> <p>6 And these numbers, these are -- I</p> <p>7 think these numbers are achievable. Nobody</p> <p>8 knows. Nobody knows what -- how many people</p> <p>9 really wanted to trade in their old credits for</p> <p>10 new credits.</p> <p>11 I mean, the old credits are -- for</p> <p>12 example, for an investor, they have to write off</p> <p>13 their capital account at the end of 10 years.</p> <p>14 Under the new credit, they could write it off</p> <p>15 under over the 10 years, 10 percent at a time.</p> <p>16 It has more value. You've got to motivate the</p> <p>17 investor to do it.</p> <p>18 Same thing with the syndicators,</p> <p>19 you got to motivate them to exchange the credits.</p> <p>20 But there is savings to be had there.</p> <p>21 Chart 7 is not going to be all that</p> <p>22 different from chart 6. What we did in chart 7,</p> <p>23 like we did the others, not issue the maximum</p> <p>24 number of credits the state law would allow,</p> <p>25 stayed more with what's been done in practice,</p>

Page 209	Page 211
<p>1 and probably stay somewhere in the neighborhood 2 of 16.5 million per year.</p> <p>3 And that affects the bottom line 4 numbers again on what it would cost to 5 transition, and here it actually has a little 6 more dramatic impact for the state because you're 7 saving the same amount of money on the 8 outstanding credits, but your total redemptions 9 are going to be down because we have three years 10 at 16.5 instead of three years at 19.2.</p> <p>11 So those are what the charts show 12 you. And I think what particularly chart 1 13 underscores is how much we lose in value, how 14 much money this costs us to have a 10 year 15 credit. It's just a terribly inefficient credit.</p> <p>16 So, again, our subcommittee's 17 recommendation was that we reduce the number of 18 credits by one, two, or five years. As pointed 19 out in the supplemental report, the cost of 20 switching to a five year credit really isn't that 21 great. There is a transition cost. We think we 22 can pay for it, but it really isn't that great.</p> <p>23 And what you gain is once you get 24 about five years down the road and those 10 year 25 credits are being redeemed and we finally get</p>	<p>1 recommendation is five years based on the fact 2 that I just don't think the budget can tolerate a 3 quicker transition.</p> <p>4 Number -- action for recommendation 5 No. 2 --</p> <p>6 CO-CHAIRMAN GROSS: Mark, just 7 question on No. 1? You didn't model going to a 8 one year credit?</p> <p>9 COMMISSIONER GARDNER: We did model 10 going to a one year credit, and the cost is -- I 11 can tell you about what it is. It's maybe 75 12 million, I think. You can get the same benefit 13 out of a one year, \$75 million credit. The 14 problem with the one year credit is -- and that 15 compares favorably, quite frankly, to the 16 historic credit.</p> <p>17 And I'm not trying to -- trust me, 18 I'm not trying to compare and contrast the low 19 income with the historic as a means of gaining 20 any advantage, but what I am trying to point out 21 is we are inefficient.</p> <p>22 And if we were a one year credit, 23 it would cost about 75 million right now to raise 24 the same amount of equity that we're currently 25 raising with 165 million to 190 million of 10</p>
Page 210	Page 212
<p>1 them off the books, the cost to the state just 2 starts dropping fairly dramatically until you've 3 cut the cost to about 60 percent of what the 4 current program is.</p> <p>5 And that's the savings that we 6 achieve if we can accomplish what we're talking 7 about doing, a savings of somewhere around -- I'm 8 sorry. Yeah, it's a 40 percent savings, the cost 9 is about 60 percent of the current program.</p> <p>10 Now, that's with all the tax 11 changes that we anticipate, or that we hope will 12 be made. Even if we don't get them all made, we 13 have modelled this thing 10 different ways.</p> <p>14 I've consulted with every 15 syndicator I can talk to, every accounting firm I 16 can talk to, created a number of different models 17 for a five year credit, and even if we don't get 18 the changes we're anticipating, we think we can 19 still cut the size of the program by perhaps as 20 much as 35 percent just by going to a five year 21 credit. So long-term savings of 35 percent in 22 the amount of credits that are issued.</p> <p>23 So recommendation 1, shorten the 24 credit period to one, three, or five years. And 25 that's the recommendation. My personal</p>	<p>1 year credits. And the problem that I felt we had 2 with trying to go to a one year credit is that's 3 75 million annually with this current inventory 4 that's overhanging, you know, it's out there. 5 It has to be dealt with and redeemed.</p> <p>6 And so the up front cost to the 7 state of transitioning -- what's the difference 8 between 75 million a year and 19 million? I 9 mean, it's 50 million a year, probably, 50 to 60 10 million a year initially to transition to a one 11 year credit, and I just -- I mean, I just didn't 12 think the legislature would go for it.</p> <p>13 But, I mean, it -- ideally, that's 14 the most efficient credit you can have. And I 15 think we did do it -- we did the same thing with 16 a three year, we ran the three year. The three 17 year is better than the five, but it just wasn't 18 that much better than the five year credit.</p> <p>19 And so I thought for the purposes 20 of transitioning, the cost of transitioning, you 21 can transition from a 10 to a five, and you're 22 not going to feel a big transition cost there. 23 It's going to be a bump.</p> <p>24 As the numbers in the charts will 25 show, it costs you about 4 million a year</p>

Page 213	Page 215
<p>1 initially and then for each year that you go. So 2 the spread I think between the two credits at one 3 time reaches about 20 million after about the 4 fourth or fifth year, and then it starts falling 5 off very dramatically. 6 So what I was trying to find is -- 7 you know, at one point we as a committee were 8 saying, okay, we don't want to do a lot of damage 9 to the budget, we don't want to do something -- I 10 mean, we're supposed to be coming in here trying 11 to save money. 12 Now, I think everybody here 13 understands with 10 years of credits out there, 14 there's nothing we can do short of just not 15 redeeming credits to affect what's out there and 16 has to be redeemed. All we can really do is say 17 let's make this credit more efficient, and how 18 can we do that without causing too much damage to 19 the budget? 20 We don't want it to cost the state 21 a lot of money to make this transition so that's 22 why we kind of went with the five as opposed to 23 the one. I'd love to see the one year credit, 24 don't get me wrong. 25 CO-CHAIRMAN GROSS: I didn't</p>	<p>1 \$192 million. So that's the ultimate 2 authorization. 3 Next step. The annual average for 4 the last three years has been 165. If you go to 5 a five year credit and start at 192, you can drop 6 it to 115 on a time value basis. If you start at 7 165, you can drop it to 91. 8 If you pass either the federal tax 9 law plan No. 1 for Congress, beyond our control, 10 but you just pass the state law plan No. 3 11 change, you can pick up another 15 percent. 12 So Mark is trying to -- Mark and I 13 were -- I worked on this with Mark because of the 14 tax stuff. Mark and I are trying to say that the 15 low income number is a lot every year and there's 16 \$1 billion outstanding. 17 What can we do to sharpen the 18 number for existing credits and what can you do 19 about prior credits? So when you take all the 20 charts and you start really at 165 and 192, 165, 21 which is the three year average, can become 91 by 22 doing a five year credit. So over time there's a 23 pickup. And if the state legislature does plan 24 3, it can drop by another 15 percent of \$91 25 million, or takes you down to 70 something, high</p>
Page 214	Page 216
<p>1 understand the -- I understood the general -- the 2 chart, but I didn't understand, when you said 3 treating a 10 -- what'd you say, treating a 10 4 year credit, or given the 10 year credit, the tax 5 -- 6 COMMISSIONER GARDNER: Yes. Okay. 7 CO-CHAIRMAN GROSS: How did you say 8 that? Tax attributes of the five year? How does 9 that happen and what do you mean by that? 10 COMMISSIONER GARDNER: Well, the 11 details of that are going to have to be worked 12 out with some details in state law. The idea 13 behind that was this. If we can pass legislation 14 that allows the state to exchange outstanding 15 credits and turn around and reissue them, or 16 simply bypass them, Steven, can -- this is really 17 the tax credit, the tax committee's area. So, 18 Steven, you might explain exactly how you 19 anticipate that happening. 20 CO-CHAIRMAN GROSS: Unlikelihood. 21 CO-CHAIRMAN STOGEL: Mark and I are 22 maybe too close to this, but if I can step back 23 10 yards and then go forward to try to -- the 24 current total annual authorized low income tax 25 credits are 19.2 million a year for 10 years for</p>	<p>1 70s. Takes you down to \$77 million. 2 So to go from 165 to 77 with just a 3 five year credit from just today's numbers with 4 just the state law change is the essence of 5 Mark's recommendation No. 1. We should have 6 divided that, but we were doing this Sunday 7 afternoon last. 8 Because the same concept in the tax 9 law report to use plan 3, just the state law 10 change, can also apply not just to new credits 11 issued by MHDC for low income housing, but to old 12 credits. 13 And the way you do that is you 14 change the allocation of credits to a 15 certificate. And you take that certificate and 16 you coax holders of those allocations and 17 syndicators of those allocations to take a 18 certificate instead of an allocation. 19 And then pass it through the state 20 law plan 3, and we should be able to affect a 21 substantial reduction on a case by case basis of 22 some of the \$1 billion that's outstanding to get 23 more efficiency. 24 This can be done without a federal 25 law change. The federal law change would make it</p>

Page 217	Page 219
<p>1 even a better bet. A better set of mathematics, 2 but if the legislature would support plan 3 and 3 everybody works together, you can significantly 4 reduce the going forward, and you have a shot to 5 reduce what's already issued. 6 So what Mark is trying to do with 7 all these charts is illustrate it not at the 192 8 maximum, but should really be working from the 9 165 reality. But it's a complicated way to make 10 -- for the State of Missouri to be proactive at 11 the legislative level to reduce the cost of this 12 program significantly. 13 SENATOR BARTLE: So you're now at 14 19.2, 10 years. 15 CO-CHAIRMAN STOGEL: Yes. 16 SENATOR BARTLE: But your models 17 are 23.5? 18 CO-CHAIRMAN STOGEL: And the models 19 are based on a 40 percent savings from 192 -- 20 SENATOR BARTLE: What if we did 21 19.5? Did you model that? 22 CO-CHAIRMAN STOGEL: We start at 23 192 in the models because that's the maximum 24 allowed. If we started at the current average of 25 165, it would be 60 percent of that or about 99</p>	<p>1 authorized, actually we were running 27 million 2 less -- 27 million divided by five is 5 million a 3 year, so it's 22 below the 19. 4 So if it were 165 frozen and you 5 took all of Mark's numbers, you would be -- the 6 Commission would end up at less than the 19.2. 7 That was your question? 8 SENATOR BARTLE: Yes. 9 CO-CHAIRMAN STOGEL: Thank you. 10 The point is there's a sequence of 11 steps because the low income committee has really 12 worked at thinking through how to become more 13 efficient on the time value of money issue as 14 well as on the tax law. The two step 15 interconnect yields a significant result over 16 time, which is what Mark's driving at with all 17 these complicated models. 18 SENATOR BARTLE: But is it not 19 possible to go ahead and reduce -- obviously, it 20 is possible, but is your committee willing to 21 entertain a -- starting from a initial lower 22 point than 165? 23 CO-CHAIRMAN STOGEL: One sixty-five 24 has been the historical average versus 192. And 25 you ought to ask Mark because --</p>
Page 218	Page 220
<p>1 million, if I did the math right. So that it 2 would all come down. And those are easy models 3 to run. 4 But the point is by shortening the 5 credit, there's a pickup. By having the state 6 law pass, for getting the federal law, there is 7 another big pickup, and you can take the 165 down 8 to 77 -- 9 SENATOR BARTLE: But are you 10 recommending that we go from 19 to 23? 11 CO-CHAIRMAN STOGEL: I'm 12 recommending that we do all of the things at once 13 so when it smooths out, the numbers should really 14 be at one -- start at the 165, Senator. So 115 15 is less by \$27 million. 16 SENATOR BARTLE: But if we did 19 17 -- 19.2 five years, we would achieve even more 18 savings, would we not? 19 CO-CHAIRMAN STOGEL: Yes. 20 SENATOR BARTLE: Why wouldn't we do 21 that? 22 CO-CHAIRMAN STOGEL: We can 23 certainly do that, or any variation. And you get 24 to 19.2 if you start with once -- the real number 25 165. Because Mark started at the maximum</p>	<p>1 COMMISSIONER GARDNER: Let me 2 explain the 19.2. If you go back to the charts 3 and -- if you go back to -- if you go to chart 2, 4 that's what I call the bubble years where we had 5 a lot of -- in 2007, we had 19 million issued; in 6 2008, 23; 2009, 22. 7 What really happened here is the 4 8 percent credit used to be essentially an uncapped 9 credit. Right now you have -- we have by state 10 law the 9 percent credit is matched at the 11 federal level which is 13.2 million. Okay? 12 Annually, or 132 million. Before, I think the 13 cap -- when did that cap go on? Was that a year 14 ago? Was it a year ago the cap went in? 15 What the legislature capped -- the 16 bond credit or the 4 percent credit was uncapped, 17 and the legislature capped it at 60 million, or 6 18 million a year. Well, if we had had that cap in 19 place back in 2007, '8, and '9, those numbers -- 20 number of credits issued in those years would 21 have been substantially less. 22 Now, the -- what has happened in 23 the last two or three years on the bond side, and 24 it won't show up in my numbers because I took 25 actually issued credits, but a lot of the</p>

Page 221	Page 223
<p>1 projects didn't happen. The economics just 2 weren't there for a lot of these bond deals to 3 happen. 4 So I think what's really happened 5 is we're averaging instead of 69 a year, or over 6 the 10 years, you're probably doing about half of 7 that. About maybe half of the bond deals were 8 being done, and that's in part due to the economy 9 and the fact that the bond deals just don't work 10 as well right now in this economy. 11 A lot of those bond dealers' 12 historic preservation deals in St. Louis or 13 Kansas City, some of them are acquisition rehabs, 14 but the bottom line is they don't work. A lot of 15 them that were approved have all fallen apart, 16 kind of like historic projects have fallen apart, 17 and even though the historic credit hasn't been 18 reduced, the historic numbers are falling off 19 dramatically right now because the economics just 20 aren't there. 21 So when you start with the fact 22 that at some point the -- whether it's a year 23 from now or two years from now, the -- you would 24 have full -- you might get back to the full 25 amount of the bond being -- bond credits being</p>	<p>1 CO-CHAIRMAN STOGEL: It's an open 2 commission, Senator. 3 SENATOR BARTLE: Just throwing that 4 out there because -- and I appreciate there are 5 long-term savings in going from 10 to five, but 6 it does not produce the savings immediately. And 7 I think that this is, you know, low income is a 8 huge -- you know, it's another one of our big 9 programs, I think we ought to look at that. 10 I don't know, I don't have a 11 specific proposal. I could make one if you want 12 me to. 13 COMMISSIONER GARDNER: One of the 14 ideas that was kicked around has been that you 15 might reduce the cap to the six -- or, you know, 16 165 or 16.5, 16.5 annually, cap it at that, and 17 then pursue the changes in the legislature and 18 elsewhere to get the number down and 19 substantially vote on that. That idea is being 20 kicked around. 21 What that would do is lower -- 22 instead of having a \$23 million credit, annual 23 credit for the five years, it would probably drop 24 it to maybe 21 or something. But that idea has 25 been kicked around.</p>
Page 222	Page 224
<p>1 issued, then you're at 19.2 million. 2 Now, have we talked about a number 3 less than 19.2 million? Yes. In my committee we 4 had extensive debates on whether the number 5 should be at the maximum permissible, in other 6 words, should we lower by statute or by law 7 should we go in and lower the maximum number? 8 The committee with a couple of 9 legislators on it decided that wasn't really our 10 position to make a recommendation, it was to let 11 the legislature decide whether the cap should be 12 lowered and to what extent. 13 We debated it extensively, I could 14 not get any consensus to take a position that 15 would result in a specific lowering of the cap. 16 We then shifted and spent most of 17 our time focused on how do we improve the 18 efficiency as a means of saving the credit, or 19 saving the total cost to the state as an 20 alternative means. So that's where we ended up. 21 SENATOR BARTLE: Steve, I think if 22 we're going to ask the historic guys to come in 23 here and make a major cut, that we need to look 24 at a cut here too on the cap. At the starting 25 point.</p>	<p>1 I -- and, you know, it's up to the 2 Commission to make a recommendation, but one of 3 the things we have talked about is what are the 4 political realities here? And if you go in with 5 a cut, you know, the historic people agreed to 6 what, a three year cut? Three year reduction? 7 CO-CHAIRMAN STOGEL: As I 8 understand it, the committee -- I was not on that 9 call, but as I understand it, there was no 10 consensus report out of the HDC committee this 11 morning. 12 COMMISSIONER GARDNER: What our 13 committee did -- 14 CO-CHAIRMAN STOGEL: Mike was on it 15 and Senator Bartle was on it. 16 COMMISSIONER WOOD: They reached no 17 agreement on any deal today. 18 SENATOR BARTLE: I have been a tiny 19 minority on that committee on all the votes. 20 CO-CHAIRMAN STOGEL: As I 21 understand it, there was no consensus report 22 about the -- about the proposed amendment that 23 was discussed long and hard over the weekend. It 24 didn't get -- the proposed amendment did not get 25 passed.</p>

1 SENATOR BARTLE: With this credit,
2 I will note in seven years it has more than
3 doubled. Right? In seven, from 2002 to 2008, it
4 is, you know, it's just exploded.

5 And I, you know, I think we'll see
6 the same kind of growth in historic, and I don't
7 know how we are going to make any kind of
8 meaningful dent in our tax credit liability
9 without a substantial cut in the caps for
10 historic and low income.

11 COMMISSIONER GARDNER: I can't
12 speak for the community at large, but I can speak
13 for myself. I think that if it were reduced to
14 16.5, I don't think -- I don't know how much push
15 back you would get, but I think if you start
16 talking about reductions much below that, you're
17 going to get some very, very serious push back
18 from the community. And that's just a political
19 reality.

20 CO-CHAIRMAN STOGEL: I don't know
21 that there's a whole set of -- January is coming.
22 The legislature will reconvene, that's clearly an
23 independent process, and one of the governor's
24 words on September 8 were, it would be nice to
25 prevent an irrational January. We may or may not

1 the state.

2 Can't rely on anything that the
3 federal government might or might not do, but at
4 least as an operating predicate, I would put out
5 state law changes to benefit the state, to keep
6 the programs as efficient as they were. May be
7 presumptuous for this Commission to presume, but
8 we're all one state and we ought to be -- we have
9 legislators here.

10 If something makes sense for the
11 state to enact to save the state money, we have
12 to presume that that's a serious recommendation.

13 COMMISSIONER VAN MATRE: Just from
14 my own selfish perspective, I would prefer that
15 the Commission report be as sanitized from
16 political realities and we come up with what's
17 the best way to structure the credits.

18 And then leave it to the
19 legislature to develop the politics from that,
20 because if we start second guessing what's going
21 to go on in the legislature, why, we're all
22 wasting our time, with the exception of three
23 people who actually know what they're talking
24 about, and the rest of us are just guessing.

25 And what we -- I think given the

1 do that.

2 But Senator Bartle said earlier
3 that if we're going to try to do some stuff for
4 -- we're going to tally at the end of the day
5 where the number landed. If we're going to add
6 some money for economic development for
7 retention, it has to come from somewhere.

8 I'm repeating things from today.
9 If -- senior citizen circuit breaker there's been
10 a vote on. There's been a vote -- the next two
11 biggest programs are historic and low income, and
12 maybe we need to, maybe not, wing it today, but
13 tomorrow morning when we deal with historic, deal
14 with the notion of what the right numbers are as
15 a committee. To put this in balance.

16 I will say one thing for the low
17 income committee is they worked really hard with
18 -- to think about how 165 can become a five year
19 credit and can with state law tax changes become
20 70. And certainly the state law tax changes are
21 within our control.

22 So I put that out as a positive
23 because the Commission should be able to --
24 should be able to assume that the state law stuff
25 can get changed if it results in huge savings to

1 best tool, if we just give them a good report
2 that's based on as much science as we can provide
3 to them. So I think that's -- that's what we
4 ought to do on these credits, particularly this
5 low income housing and historic, is just what's
6 the best way to design this credit?

7 But the real elephants in the room
8 are the global issues we're going to have to
9 discuss, and that involves -- there's really two
10 of them, as I see it, and that's this
11 appropriations issue is to what extent should
12 things be subject to an appropriation?

13 And so I think it's -- we got a
14 chicken and egg problem here is when do we
15 discuss the global issues? Because the second
16 elephant in the room is prioritization of all
17 these credits, and it may be that we design this
18 credit perfectly, but we put it in such a low
19 credit priority that it doesn't get funded
20 because the state doesn't have the money.

21 And so I think it may be that we
22 discussed generally these credits, and then we
23 talk about how we think they ought to be
24 prioritized and how we think the appropriation
25 process ought to impact it because that may in

1 turn impact how we think about each of these
2 individual credits. But first we have to go
3 through the exercise we've gone through, which is
4 how should these credits be better? And we've
5 done a pretty good job of that up to now.

6 So it seems to me like we ought to
7 leave politics out of the whole low income
8 housing thing and figure out what's the best way
9 to design it.

10 CO-CHAIRMAN GROSS: Just a thought,
11 run this around, net general revenue collections
12 for ten were \$6.7 billion. Looking back, the
13 first comparable year is 2005, 6.7 and change in
14 net general revenue collections, and the amount
15 of low income -- she disappeared. She's getting
16 it.

17 What I'm thinking of, if we want a
18 starting point, is to look and see what the net
19 -- see what the low income program was doing in
20 2005. Ask 10, we'll have at least the same
21 percentage recommendation for 2000 -- going
22 forward as we had when revenue collections were
23 the same.

24 SENATOR BARTLE: This obviously has
25 some rational basis. We have sitting at this

1 table groups that are representing the public
2 schools. Public schools other than social
3 services are the largest recipient of government
4 funding.

5 They are having to deal with the
6 reality of revenue that is like it was in 2005.
7 And one of the complaints we hear is that why
8 aren't the tax credit programs standing in the
9 same shoes that we're standing in dealing with
10 the same reality that we're dealing with? And
11 this gives some at least rational basis for
12 finding a number.

13 CO-CHAIRMAN GROSS: And I don't
14 know what it's going to be. I may not like it.

15 SENATOR BARTLE: It's 13. It's 13
16 on low income.

17 COMMISSIONER GARDNER: If you look
18 at 2004, it was 15.5 roughly. In 2005, it's 13
19 million. If you look at 2006, it was 15 million.
20 The 2005 number I'm having a hard time believing,
21 it's sandwiched between two \$15 million years.

22 COMMISSIONER VAN MATRE: The
23 question I've got for everybody is do we have to
24 agree on what ought to be appropriated for this
25 credit to discuss and vote on how it should be

1 designed? In other words, can we say Mark's idea
2 of cutting it in five years or making these other
3 changes is approved, and then leave for another
4 time and maybe a different body how much would be
5 appropriate? Or is it so interwoven that --

6 SENATOR BARTLE: Craig, I think the
7 governor is looking for this group, made up of
8 people who receive the credit, some people here
9 represent interests that receive these credits,
10 to make some tough choices. And the over --
11 where you start with this is one of the
12 incredibly difficult political choices.

13 And I think one of the reasons that
14 we were formulated was to make a recommendation
15 that the governor and the legislature could point
16 to as saying the people who know these credits
17 are recommending that we start here.

18 So I don't think that we can punt
19 on these -- on these issues of where should we
20 start, what should the level be, what should cap
21 be, because those are the tough issues that
22 really I think the governor's probably looking
23 for guidance on.

24 COMMISSIONER VAN MATRE: But
25 implicit in what you're saying is that all

1 credits are created equal and so we allocate in
2 our own minds what should be -- and then we vote
3 on what should be the amount allocated to this
4 credit, and that appropriation, or for lack of a
5 better description, allocation is equal to all
6 other credits when I submit all credits aren't
7 created equal and they have to be prioritized and
8 funded probably in a waterfall fashion where some
9 get funded fully, and others only if there's
10 money available.

11 So what you're doing I think is
12 saying all credits are equal so we have to cut
13 this one and cut this one and cut this one to
14 make everything across the board. And that's
15 like when you're making your home budget up, it's
16 saying my entertainment budget's just as
17 important as my home mortgage, and of course,
18 that isn't true.

19 CO-CHAIRMAN GROSS: Really only by
20 throwing them all into appropriation do you get
21 that prioritization.

22 COMMISSIONER VAN MATRE: That's
23 right, and that decision isn't really made. So I
24 guess my recommendation would be to bifurcate
25 this and say that Mark's recommendation as to

Page 233	Page 235
<p>1 ways to change this credit are good ones, well 2 thought out, ought to be adopted, and then it's a 3 separate issue as to when and how they get 4 funded. 5 COMMISSIONER GARDNER: The thought 6 of our committee was, Senator, just so you know, 7 we did not, and I think those who have worked 8 with us understand, we did not come in to the 9 process and say we're not taking any cuts. Our 10 report made it very clear that we felt either we 11 find ways to make our credit more efficient and 12 save the state money, or we're probably going to 13 get a haircut. 14 And we didn't come in with any kind 15 of attitude about it. We came in recognizing the 16 reality, and it's not really that we tried to 17 dodge the issue, but I will tell you that the 18 complexities of sitting here, and I think the -- 19 some of the other people on the Commission 20 understand this, trying to say, okay, well, what 21 should the number be? 22 Well, tell me what the tax law is 23 going to be. Tell me what the result of all of 24 the proposed changes in the tax law is going to 25 be. Tell me what the efficiency of the credit is</p>	<p>1 budget is going to be a positive impact. 2 COMMISSIONER GARDNER: A 3 substantial savings, yeah. 4 COMMISSIONER JOYNER: And to us 5 that meant both the objective of the credit as 6 well as the objective of trying to find a 7 creative way to reduce the cost to the state 8 budget. 9 And that's why we -- my 10 recollection is we opted to take the 11 recommendation of shortening the years for the 12 credit to have that impact rather than applying a 13 cap to it that could have the effect of still 14 having an inefficient credit, but reducing the 15 amount of housing you could produce when 16 throughout the state there's definitely an unmet 17 need. 18 COMMISSIONER GARDNER: I think what 19 Dee has said is correct. Until we know what the 20 efficiencies -- how much they're going to be 21 improved, we're simply pulling a number out of 22 the air. It's arbitrary. 23 Secondly, what Dee said was the 24 belief was, well, if you make it efficient 25 enough, maybe you don't have to reduce it. If we</p>
Page 234	Page 236
<p>1 going to be reduced by. 2 Now, let's say we can't achieve any 3 of those things. Then I think the legislature's 4 probably going to look at this credit and say 5 we're going to reduce it. 6 It wasn't that we were unwilling to 7 come up with a number and unwilling to propose a 8 reduction. It was we didn't know what the 9 numbers should be. Because it is a complicated 10 process to try to figure out where we're 11 ultimately going to end up in January. 12 COMMISSIONER JOYNER: I just want 13 to say, you know, to me this is so complex, all 14 of this spreadsheets and the finances and 15 everything, but the thing that was compelling to 16 me sitting in on that committee was to say when 17 you look at the need for low income housing in 18 the state, there's definitely a need there. 19 And if we can save the state a 20 fairly substantial amount of money by 21 restructuring these credits to make them more 22 efficient, we're able to maintain a level of 23 constructing low income housing, the equity in 24 the housing, but we can do it so much more 25 efficiently that the net result to the state</p>	<p>1 save the state by increased deficiencies, maybe 2 there doesn't have to be a reduction. 3 The third point on that was we had 4 a couple legislators on our panel who really felt 5 that it wasn't our job to tell the legislature 6 what the level of funding should be. And we -- 7 they felt that was the legislature's job, and we, 8 quite frankly, didn't want to take them on and 9 offend anybody by suggesting that that was our 10 job. 11 So it wasn't -- again, we weren't 12 dodging the issue. We weren't attempting to 13 avoid that point. We were simply trying to, as a 14 committee, say we're going to try and improve 15 efficiency a lot; if we don't get the job done, 16 we think the legislature is probably going to 17 take action. 18 CO-CHAIRMAN GROSS: I'd like to say 19 I agree with the shortening the time of credit. 20 I was hoping to get to one -- I still can't yet 21 quite figure out what the cost is of doing that, 22 but don't try to explain it to me again. 23 COMMISSIONER GARDNER: I can tell 24 you tomorrow. 25 CO-CHAIRMAN GROSS: I got the five</p>

1 okay, or close enough anyway, I got that
2 generally figured out, but the direction with
3 that making it more efficient, I like that.

4 I do think a reduction in the
5 program is appropriate, and whether we pull that
6 back to an '06 or an '05 or whatever level to
7 compare it to general revenue collections, I
8 think is a reasonable approach. And that's --
9 oh, the only -- I'm not sure if it's in
10 recommendation 1 or not.

11 COMMISSIONER GARDNER: If I can,
12 let me run through the rest of the
13 recommendations very quickly, they're pretty
14 simple and I think non-controversial.

15 We took a -- kind of a -- we took a
16 -- not a formal position on the recapture issue.
17 Currently there's a recapture provision in the
18 credit so that if someone quits complying with
19 state law or federal law, the credit can be --
20 it's a clawback provision. You can take the
21 credit back, a portion that's been unearned, and
22 all future credits are basically canceled.
23 You don't earn them.

24 And there is a -- there is an
25 efficiency to be gained by removing the

1 recaptured provision in that it does have some
2 slight discounting impact on the credit. Again,
3 we had substantial discussion about this, and
4 that's kind of a policy issue.

5 The committee ultimately determined
6 it was a policy issue again for the legislature,
7 not for us, but at the same time we said that if
8 eliminating the recapture provision is part of an
9 overall strategy to improve the efficiency of the
10 credit, we certainly don't think that's
11 inappropriate. In fact, it may be appropriate.

12 But you understand with the --
13 there's the two corresponding views, and I think
14 on our -- when we had our conference calls the
15 other day, you have the -- can I make the credit
16 more efficient by eliminating the recaptured
17 provision? Yes.

18 If I eliminate the recaptured
19 provision, I am also taking away from that credit
20 the fact that if somebody doesn't comply, they're
21 not going to get state credits for not complying
22 with the law.

23 And there were some people who felt
24 some discomfort over the fact that somebody in
25 theory could build low income housing, and the

1 next year take it out of the program and rent it
2 as market rate housing, and there's nothing the
3 state could do about it. Those credits have been
4 awarded, they're there.

5 Now, the federal government could
6 still recapture the federal credits, and that's a
7 pretty big penalty. So I think the threat is not
8 that great. But the committee itself basically I
9 think felt, okay, we're not going to specifically
10 recommend eliminating recapture provision, but if
11 that is to improve the efficiency of the credit,
12 then we're fine with it.

13 So, in other words, again, without
14 attempting to pass responsibility for the issue,
15 it was again deferred essentially to the
16 legislature to become part of this first
17 recommendation. How do you make the credit more
18 efficiently. More efficient.

19 Third was our recommendation to the
20 tax law committee, take the actions that it's
21 currently doing, which was an attempt to make the
22 changes in the federal law which it's talked
23 about, and make the changes in the state tax
24 credit that the tax law committee previously
25 discussed. We support those efforts.

1 The fourth action was a goal. We
2 said we would like to maintain equity levels.
3 Not tax credit levels, but equity levels at the
4 same or near current levels, which means how much
5 equity are you generating from 170 or 80 million
6 dollars' worth of tax credits. Plus improve the
7 efficiency and try to maintain that equity so we
8 don't have to actually cut the size of the
9 program.

10 However, we very specifically
11 pointed out in there and noted the subcommittee
12 is aware of the fact that depending on the extent
13 efficiencies can or cannot be obtained, it may be
14 necessary to reduce the size of the program.
15 Again, that gets back to your issue, Senator, on
16 what do we do with the size of the program.

17 Number 5, and this is a -- this is
18 a provision that really can help the value of the
19 credit. Every time you help the value of the
20 credit, you're going to reduce the number of
21 credits you have to issue. You're going to
22 increase its efficiency.

23 And No. 5 was -- basically said
24 when the -- when the building is placed in
25 service, the credits ought to be earned rather

Page 241	Page 243
<p>1 than the way it works now. It's a really archaic 2 system that says if you have a 32 unit apartment 3 building, you put the thing into service on 4 November 1, you only earn credits as each unit is 5 leased up. 6 And so you get a partial year's 7 credit in the first year, and in fact, you may 8 ultimately end up deferring your credits. 9 There's a more archaic complicated law that says 10 you may be better off deferring your credit and 11 starting your credit the next year. Or if you 12 have multiple buildings, you'll get part of the 13 credit the first year and you'll defer part of 14 the credits to the 11th year. 15 It makes the whole process 16 complicated, it makes the delivery schedule of 17 the credits very uncertain, and the marketplace 18 doesn't like uncertainty. 19 CO-CHAIRMAN GROSS: Doesn't that 20 provision kind of ensure that before you go into 21 a project, you make sure that you've got demand? 22 COMMISSIONER GARDNER: Really isn't 23 a demand issue. 24 CO-CHAIRMAN GROSS: If you're 25 trying to lease out the units and nobody's</p>	<p>1 first year, what percentage are going to be 2 deferred to year 11, and it just creates a lot of 3 uncertainty that does impact pricing. 4 Whereas if you knew that when the 5 first unit got leased, you earned all your 6 credits for that year, then you'd be selling an 7 equal amount of credits for each of the 10 years, 8 and you wouldn't have this -- right now it's 9 split up. As a general rule, you're selling 10 eleven years' worth of credits. 11 You're selling a partial year in 12 year 1, the next nine years you're selling the 13 full amount of credits, and then you got the 14 leftovers from year 1 in year 11. And because 15 nobody knows what that first year number is going 16 to be and that 11th year number is going to be, 17 it's just all projection and it doesn't back 18 pricing. 19 And I don't think that there's any 20 real benefit to the state. I mean, I don't know, 21 somebody else who knows a little about it, 22 Sallie, you may or may not have an opinion on it, 23 but I don't know how the state really benefits by 24 this staggered process. 25 Anyway, again, the idea is to</p>
Page 242	Page 244
<p>1 wanting to lease them, then you're not -- 2 CO-CHAIRMAN STOGEL: The federal 3 law is odd. If you lease a unit and then it goes 4 vacant and stays vacant for nine years, you still 5 get the federal credit. In theory, you could 6 have a 20 unit project and have only one person 7 move in, and they just move and you'd earn all 8 the credits. 9 SENATOR BARTLE: That sounds like 10 the federal government I know. 11 CO-CHAIRMAN STOGEL: I didn't want 12 to disappoint you, Senator. 13 CO-CHAIRMAN GROSS: But why what 14 I'm saying is not correct? 15 COMMISSIONER GARDNER: Because it 16 really isn't a matter of market. 99 percent of 17 the time there is not a problem leasing up the 18 units, okay? It's just a timing issue. And 19 because when the building comes online -- it may 20 come online in June, it might come online in 21 January, it might come online in October. 22 And so when we're trying to sell 23 credits, we're out there trying to project and 24 predict how many units are leased the first year, 25 what percentage of credits you're going to get</p>	<p>1 improve the efficiency, and most of these ideas 2 were aimed at how do we improve efficiency. 3 Item No. 6, we -- which addresses 4 some of the issues that have been raised over the 5 years with the growth of the program, we 6 specifically recommended in item 6 that you tie 7 the state tax credit as a percentage of state 8 revenues. 9 So when state revenues go up or 10 down, the credit goes up or down, you don't have 11 to worry about it becoming a larger percentage of 12 state revenues than it currently is, or whatever 13 number you happen to set. And we thought that 14 was a good recommendation, you know, and thought 15 it addressed one of the concerns that has been 16 raised. 17 Item No. 7 dealt with a stacking 18 issue, and the stacking issue may need to be 19 dealt with further, but we made the same 20 recommendation other people, the historic people 21 made. Rather than getting 25 percent of the 22 qualified rehabilitation expenditures for the 23 historic side, we projected, or we suggested 24 lowering that to 20. 25 And if this Commission wants to</p>

Page 245	Page 247
<p>1 make something more specific on that issue, it 2 can, but I will let you know that we also -- MHDC 3 is very aware of the sensitivity of this issue. 4 When you're layering the historic credit on top 5 of the low income credit, it -- the numbers can 6 get pretty high and the cost per unit can get 7 excessive.</p> <p>8 And MHDC, I have had this 9 conversation with them, you know, Margaret 10 Lineberry who is the new executive director is 11 very aware of the issues, very sensitive to that, 12 that we have to be careful when you layer credits 13 and start getting pursuant costs that are 14 excessive. And I think you're going to see some 15 direct action out of MHDC putting restrictions 16 that go beyond what the Commission is 17 recommending here.</p> <p>18 We thought this was a -- this was a 19 recommendation we made.</p> <p>20 Now, the carry back/carry forward 21 issues have been raised. We said we'd like to 22 keep the three year carry back/five year carry 23 forward, that if you're going to reduce anything, 24 reduce the carry back to two years and only do it 25 with respect to future credits.</p>	<p>1 up, there's been some e-mail traffic about the 2 value of credits at 55 cents and 90 cents.</p> <p>3 And I don't -- if it goes back to 4 that first discussion I think we had in the 5 Commission was the accusation, or the belief in 6 the legislature that the program is too rich. 7 And how any of these recommendations address 8 that. I mean, by bringing down caps is one 9 thing, but that doesn't address the value, or the 10 -- the issue of the program by project being too 11 rich, it just reduces the number of projects.</p> <p>12 So I think maybe it's the stacking 13 provision? Steven says it's not, and I'm trying 14 to hit the target, and I don't know which of 15 these recommendations is the one to try to --</p> <p>16 CO-CHAIRMAN STOGEL: Let's step 17 back and -- there are lots of elephants in the 18 room, we might as well put another one here.</p> <p>19 The charge against the low income 20 is that 40 cents, the commonly used number of the 21 credit value, goes to the project. We've all 22 heard the number. That results from the fact 23 that there's this embedded federal tax hit of 35 24 cents and the time value of money. 25 If we can address the tax law issue</p>
Page 246	Page 248
<p>1 The reason being the carry 2 back/carry forward actually enhances the value of 3 the credit because when people buy the credit, 4 they're buying a 10 year stream of credits. They 5 don't want to know that they have to make money 6 every one of the 10 years.</p> <p>7 If they make money for three years 8 and don't make money for two, then if they've got 9 any leftover credits, they can carry them back, 10 or they can carry them forward for the years that 11 they lost money.</p> <p>12 And I know it increases budget 13 certainty by restricting the carry back/carry 14 forward provisions, but it also decreases the 15 value of the credit somewhat because I know if I 16 can't carry that credit back and I might lose it, 17 I'm not going to pay as much for it. So we said, 18 recommend leave it as it is. That was the 19 ultimate recommendation.</p> <p>20 And I believe that's the extent of 21 the recommendations.</p> <p>22 CO-CHAIRMAN GROSS: I guess we'll 23 go back to the beginning to see if we can get 24 some of these resolved. But on the stacking 25 issue, I guess is the best place to bring this</p>	<p>1 at the federal or state level, and if we shrink 2 the period, the amount of credits will drop so 3 that there's way more efficiency, and that's what 4 the low income folks tried to do.</p> <p>5 That doesn't address Senator 6 Bartle's issue is the current authorization at 7 19.5 the right starting place. Should it be X, 8 Y, or Z lower? Senator Bartle made the 9 observation for, I think it's 2005, and the 10 number back then was for the 13.5 or 135 million 11 dollars total.</p> <p>12 So by focused on that elephant 13 only, Senator Bartle's thought was if you go back 14 to one -- 2005, the applicable number we're 15 talking about is 192 as of today and 135 then. 16 From that starting point the question the low 17 income committee has wrestled with, I think 18 admirably, is how do you reduce the efficiency? 19 How do you make that 40 percent higher?</p> <p>20 There are some fringe elements. 21 Recapture when a unit goes online that MHDC can 22 deal with, but the committee really did work hard 23 to say the most efficient would be a one year 24 credit but it causes a bulge in the state budget. 25 A five year credit takes you a long</p>

1 way up the curve because it reduces the starting
2 point, 192 to 115; or if it be 135, it would
3 reduce it by \$52 million to about 88. Because
4 it's a 40 percent savings to go from 10 years to
5 five years.

6 The notion of tying things to
7 general revenue, whether it should be 2005, 2008,
8 2012, that's a different recommendation, but in
9 terms of the tally for what the programs are, the
10 -- we just have to separate the issues. And
11 what's the charge of the Commission in terms of
12 finding efficiencies? I think the low income
13 have made some progress.

14 Do we want to address as a
15 Commission what the starting point ought to be?
16 Factually the starting point, Mark, correct me if
17 I'm wrong, it's 192 authorized, but the
18 functional average is 165. Should the starting
19 point be the 2005 number which was 135? A
20 question.

21 From there, whatever the starting
22 point is, the low income folks by going to a five
23 year and by going to these other things and --
24 achieve a 30 percent savings, and with the state
25 adopting plan 3, it's a 40 percent savings.

1 And if you -- 195 would become
2 about 115. One ninety-two would become 115. One
3 sixty-five would become 91, doing the math fast.
4 One thirty-five would become 80 something.

5 And that's a format for a
6 discussion -- when we get to low income tomorrow,
7 there will be a discussion of -- which was taken
8 up, but not resolved at the committee.

9 There were program efficiencies
10 discussed. There were some stacking issues
11 discussed, but on the major issue of what a new
12 number might be for historic, there was no
13 consensus reached, I'm told, right, Mike?

14 COMMISSIONER WOOD: On historic,
15 right.

16 CO-CHAIRMAN STOGEL: On historic.
17 The weekend's conversation suggested 90, there
18 were other folks who thought it should be higher.

19 So the subject matter for tomorrow
20 morning after Mr. Boyers gets here and we hear
21 that report is what will this committee do on a
22 historic tax credit number, what should we do on
23 a low income number, so we can run the tally that
24 Senator Bartle asked for at the very beginning of
25 the meeting which was what's the net result of

1 all of this work.

2 CO-CHAIRMAN GROSS: That's not the
3 issue, though, I'm bringing up.

4 COMMISSIONER WOOD: Chuck, I got an
5 idea real quick. You want to get to a one year
6 on low income, right?

7 CO-CHAIRMAN GROSS: Ideally. I
8 don't know if we could afford to get there, but
9 ideally.

10 COMMISSIONER WOOD: Could we do it,
11 though, that we go to a five year, two years
12 later down the road it becomes a three year, two
13 years down the road past that we get to a one
14 year. So we're facing this end to get where we
15 want to go and we've got the ultimate goal of
16 getting a one year, but that we can't afford it
17 all up front. Does that sound reasonable?

18 COMMISSIONER GARDNER: We actually
19 talked about that as a -- the five year credit
20 being a transition to maybe a three, and then a
21 transition even to a one. It's kinda complicated
22 to -- I mean, I think you'd have to do that
23 obviously in three steps with the legislature,
24 but I think for long-term planning, that's
25 ideally where you'd be.

1 And I was just going to say,
2 Senator, I'd take the 90 million for the historic
3 on a one year credit, I'd take that today,
4 because that's more than we're getting. We're
5 getting about 65 million of equity.

6 CO-CHAIRMAN GROSS: I mean, if the
7 Commission wants to, we can certainly recommend
8 that, it just depends on if we can find out what
9 those numbers are in those years you're talking
10 about to see how much the -- of an impact it is
11 on the budget is what I want to see.

12 COMMISSIONER WOOD: Maybe it's
13 longer than two years. I think ultimately that
14 where -- if the -- I think ultimately that's best
15 for the state budget if we can get there, and
16 ultimately I think it's best for the
17 practitioners in the low income side. So, I
18 mean, why not an ultimate goal to get there.

19 COMMISSIONER GARDNER: At one point
20 I was going to make the recommendation that we
21 make the historic and the low income both the
22 three years credit, and then I was told that
23 wasn't -- probably wasn't a very good idea
24 because historic people weren't going to like
25 that. So I backed off that pretty quickly

1 because that's the last thing I want to do is
2 create an enemy.

3 But the point was, you know, we
4 have historically been beaten up and beaten up
5 really bad, badly, because we are inefficient.
6 And people say you only get 40 cents on the
7 dollar, you know, and the point I've always tried
8 to make is yes, but, without pointing fingers, I
9 didn't create the 10 year program. I didn't
10 create that inefficiency.

11 Give me a one year program, or a
12 one year credit like the historic people have,
13 and I'll be just as efficient as they are and
14 I'll only cost you about 65 million a year.
15 That's about what I'll cost you. Well, that's
16 the equity. It'd probably cost 75 to 80 million
17 in credits to get there.

18 CO-CHAIRMAN STOGEL: That's at the
19 192 level which we're not at. Just so everybody
20 understands based on actual, we're starting at
21 165.

22 COMMISSIONER GARDNER: If we're
23 starting at 165, the number's -- I can tell you
24 about what it is.

25 CO-CHAIRMAN STOGEL: Just try to

1 we say in some words with these numbers here that
2 the credits take precedence over discretionary
3 spending, but if the issue is, in fact, that it's
4 going to be all discretionary, then what good is
5 it for us to come up with a particular number if
6 that's all going to be part of what amounts to
7 the budgetary process? That's what I don't
8 understand.

9 CO-CHAIRMAN GROSS: Put the cap on
10 it. They couldn't go higher than that.

11 COMMISSIONER VAN MATRE: So what
12 we're really saying here is we're trying to
13 impose a cap here on this, and not this is the
14 deal that they're going to get. This is just
15 going to be a cap. Did you all discuss that in
16 that context, Mark?

17 COMMISSIONER GARDNER: I'm not sure
18 I understood what you said.

19 COMMISSIONER VAN MATRE: Well,
20 that's my problem.

21 SENATOR BARTLE: Let me throw this
22 out. Craig, you're -- the appropriation idea is
23 a wonderful idea. I support it wholeheartedly,
24 it is a completely different alternative to
25 everything we're doing right here.

1 stay focused on the facts.

2 COMMISSIONER REEVES: I just had a
3 question. Another piece of this I think is that
4 there's some discussion going on about possible
5 buybacks, some funding mechanism. Is there a way
6 to take a piece of the funding mechanism and help
7 plug a transitional hit to the budget?

8 CO-CHAIRMAN STOGEL: Yes.

9 COMMISSIONER REEVES: Which
10 actually makes the transition less painful.

11 CO-CHAIRMAN STOGEL: Yes.

12 COMMISSIONER REEVES: Quicker.

13 CO-CHAIRMAN STOGEL: Yes.

14 COMMISSIONER VAN MATRE: Can I ask
15 a question? I guess I'm not -- maybe I am being
16 clear and nobody is signing on to this idea, but
17 what we are saying I think in some words when we
18 have this discussion is that whatever amount we
19 come up with becomes then in effect sacrosanct.
20 We are saying to the legislature you must
21 appropriate that before you appropriate anything
22 else.

23 CO-CHAIRMAN STOGEL: We aren't
24 talking about appropriations.

25 COMMISSIONER VAN MATRE: But when

1 If we vote, and I hope we will, I
2 doubt we will, but I hope we will, vote to go
3 with a appropriations process. We really don't
4 need to worry about caps. We don't need to
5 agonize over a lot of these details.

6 Now some of the structural stuff we
7 probably still would need to, but there is a
8 natural year by year grading of all of these
9 programs, K through 12, higher ed, all of the
10 other things the state has prioritized so you're
11 right to keep on coming back to it.

12 But I don't think all of this work
13 is wasting time because I think we're going to
14 find that that vote's going to go no, and so all
15 of this is going to become very relevant. Does
16 that make sense?

17 COMMISSIONER REEVES: I'd add to it
18 that I think all of this work is being done to
19 show a really strong effort to prevent a lot of
20 this from going to appropriations. To really see
21 if we can push it to the level because we need
22 some predictability in some of this stuff. So if
23 everybody can make that strong effort and feel
24 enough pain to get there, maybe the appropriation
25 doesn't need to be next.

Page 257	Page 259
<p>1 SENATOR BARTLE: But our sitting 2 here at this moment of time saying these are 3 where the numbers need to be is an incredibly 4 inflexible process because it doesn't recognize 5 any kind of changing reality that's going to 6 occur. 7 The economic marketplace this state 8 is going to face two years from now is 9 dramatically different than it was three years 10 ago, and I would argue that many of these 11 programs are outdated. They are yesterday's 12 programs and we are trying to apply them to 13 today. 14 So I think an appropriation process 15 allows the state to look at where we are and to 16 adapt and set these priorities according to 17 whatever the priorities should be of that time 18 period. 19 The problem is, politically, people 20 who have received preferential tax treatment with 21 tax credits are not willing to go into that kind 22 of free -- because there is uncertainty. You 23 don't know that you'll get it. And so that's the 24 fundamental political problem. 25 CO-CHAIRMAN STOGEL: It's also the</p>	<p>1 seems to me there's a fair amount of consensus on 2 the efficiency question of this particular tax 3 credit. So if we could agree that the Commission 4 wants to recommend reducing the number of years 5 to five immediately with further study on how we 6 can get to a three year and a one year, over what 7 period of time based on impact of the -- on the 8 state budget, that that's the sense of the 9 Commission in terms of what we want to recommend. 10 And if -- if this is subject to the 11 ability to get the tax treatment to make this 12 work? 13 CO-CHAIRMAN STOGEL: It only adds 14 efficiency. 15 COMMISSIONER JOYNER: Okay. So I'm 16 going to stop right there then, and suggest that 17 at least we vote on that, and I guess any of 18 these other efficiency recommendations unless 19 somebody has a problem with some of them. And 20 then what it leaves on the table is coming back 21 to this question of do we want to reduce the 22 number of credits? 23 COMMISSIONER VAN MATRE: I second 24 that motion. 25 COMMISSIONER GARDNER: I would add</p>
Page 258	Page 260
<p>1 fundamental business problem that you don't start 2 on anything and it's not there, which is yet 3 another elephant in the room which is sunsets 4 which we're going to deal with tomorrow, but the 5 notion of finishing the committee reports, then 6 get to global issues. 7 We need to finish historic and get 8 into the global, but the global, if it's an 9 appropriation vote, that opens one door. If it's 10 a not appropriation vote, it opens the sunset 11 door, because legislative control at some point 12 is clearly within the legislature and the 13 administration's domain. 14 And if that's the pathway, where do 15 all these credits that we're supposed to review 16 come out? Elimination, capping, or modification 17 to at least reach a final report. Because the 18 issues are all interconnected, and we're up to 19 some very hard ones given the budget crisis. 20 CO-CHAIRMAN GROSS: We got to get 21 -- 22 COMMISSIONER JOYNER: I was going 23 to make a proposal. 24 CO-CHAIRMAN GROSS: Excellent. 25 COMMISSIONER JOYNER: Because it</p>	<p>1 to that we still have the historic to deal with 2 and other issues to deal with, and tomorrow we 3 could have just a whole separate issue of are we 4 going to have caps and what caps are we going to 5 recommend. 6 CO-CHAIRMAN GROSS: Correct. So we 7 have a motion and a second? Discussion? 8 (NO RESPONSE.) 9 CO-CHAIRMAN GROSS: Seeing none, 10 all in favor say aye? 11 (AYE.) 12 CO-CHAIRMAN GROSS: Opposed no? 13 (NO RESPONSE.) 14 CO-CHAIRMAN GROSS: Motion is 15 adopted. Thank you for getting us off the dime 16 there. You want to go back to No. 2, then? 17 COMMISSIONER GARDNER: You know, I 18 don't even know if that requires -- that's the 19 opinion of the Commission, I don't know if that 20 requires an action of the Commission since we 21 didn't actually take a firm position. 22 CO-CHAIRMAN GROSS: On recapture? 23 COMMISSIONER GARDNER: Yeah. 24 Unless the Commission itself wants to take a 25 position on that.</p>

65 (Pages 257 to 260)

<p style="text-align: right;">Page 261</p> <p>1 CO-CHAIRMAN GROSS: Also a global 2 issue, and we're going to be hitting recapturing 3 and global -- 4 CO-CHAIRMAN STOGEL: No, that's 5 clawback, Senator. Recapture is a technical 6 thing for low income housing or historic, which 7 recapture occurs when there's a failure to lease 8 a unit to the right person or there's a mortgage 9 foreclosure. 10 I got a number that -- from MHDC 11 that the amount of recapture that's occurred 12 since the onset of the program is less than 13 \$100,000. So there's a sense that it doesn't 14 accomplish much and hurts pricing. 15 There's also a sense that since the 16 federal law has recapture, it's designed to keep 17 the projects up and operating and developers 18 interested in it, and it's hard to quantify the 19 costs on pricing. So tracking the federal rule, 20 I think, you know, recapture is probably a good 21 thing to keep in. It doesn't amount to much, but 22 it is a -- an enforcement mechanism. 23 CO-CHAIRMAN GROSS: I agree. 24 COMMISSIONER GARDNER: The other 25 issue that's been discussed on recapture is who</p>	<p style="text-align: right;">Page 263</p> <p>1 CO-CHAIRMAN GROSS: No position on 2 that, then. Number 3? 3 COMMISSIONER GARDNER: That was 4 simply that we encourage the tax law committee to 5 continue its work. So I don't know that that 6 requires any action by us. 7 CO-CHAIRMAN GROSS: Okay. So no 8 recommendation on No. 3, then. Number 4? 9 COMMISSIONER GARDNER: Simply a 10 goal that ties in with No. 1 and ties in with the 11 cap, so I don't think you can really vote on that 12 today. 13 CO-CHAIRMAN GROSS: So no 14 recommendation on No. 4. Number 5? 15 COMMISSIONER GARDNER: I think we 16 should make a recommendation on 5, that is that 17 we change law so that when you place a building 18 in service, it earns the credits at that point. 19 CO-CHAIRMAN GROSS: You want to 20 make that in terms of a motion, Mark? 21 COMMISSIONER GARDNER: Yes. 22 CO-CHAIRMAN GROSS: Second? 23 CO-CHAIRMAN STOGEL: Second. 24 CO-CHAIRMAN GROSS: Second by 25 Steven. Discussion?</p>
<p style="text-align: right;">Page 262</p> <p>1 should suffer the recapture? Should it be the 2 developer? That issue has been raised as to if 3 you want to improve the efficiency of the credits 4 and the pricing and shift the recapture risk to 5 the developer, that's been -- 6 CO-CHAIRMAN STOGEL: Would your 7 committee go along with that? Because investors 8 should be protected under the do no harm theory. 9 CO-CHAIRMAN GROSS: That's existing 10 deals. That's not going forward. 11 COMMISSIONER GARDNER: But that may 12 be a legislative issue. 13 CO-CHAIRMAN GROSS: How about the 14 protect me provision going forward? I'd like to 15 have that one. 16 CO-CHAIRMAN STOGEL: It's a going 17 forward question. Going forward should it be the 18 developer's risk or an investor's risk. 19 COMMISSIONER GARDNER: Unless the 20 Commission wants to take a position on a 21 recapture, we didn't take one. 22 COMMISSIONER JOYNER: Just leave it 23 alone. 24 CO-CHAIRMAN STOGEL: We should 25 leave it up to MHDC.</p>	<p style="text-align: right;">Page 264</p> <p>1 (NO RESPONSE.) 2 CO-CHAIRMAN GROSS: All in favor 3 say aye? 4 (AYE.) 5 CO-CHAIRMAN GROSS: Opposed no? 6 (NO RESPONSE.) 7 CO-CHAIRMAN GROSS: Ayes have it. 8 Number 6? 9 COMMISSIONER GARDNER: Simply is 10 that once a hard number is established for the 11 credits, that it be tied to state revenues so 12 that it remains a set amount of state revenues 13 and doesn't increase as a percentage of state 14 revenues. 15 COMMISSIONER VAN MATRE: I 16 recommend that that be deferred until tomorrow, 17 tomorrow is the global issues, because that same 18 argument could be applied to all credits. 19 CO-CHAIRMAN GROSS: Without 20 objection, we'll table that until tomorrow. 21 COMMISSIONER GARDNER: 7, we 22 recommended reducing the QRE for historic credits 23 to 20 percent if they are stacked on top of the 24 low income. 25 CO-CHAIRMAN GROSS: This is where I</p>

1 raised the question that's out there about the
2 value of the credits, whether they are 50 cent
3 credits in terms of value, or 90 cent?

4 CO-CHAIRMAN STOGEL: I answered the
5 question for low income, I'll deal with the
6 historic, but maybe more tomorrow on that.

7 Historic credits have a federal tax
8 cost like all other state credits. When the
9 partnership earns and gets a certificate or an
10 allocation, investors will pay 90 cents to the
11 project. That gives them basis in the credit,
12 and it's an advantageous investment because it's
13 worth a dollar and they make an efficient spread.

14 At the moment, the federal tax law
15 treats that as a zero basis certificate, putting
16 aside the issue of whether it's a capital asset
17 or ordinary income. There is a tax cost.

18 The historic tax credit community
19 has been successful in using the lost partner
20 structure at a cost of about 8 to 10 percent to
21 eliminate the federal tax hit in the historic
22 world. So 90 cents becomes 82.

23 It's an inefficiency. It's not a
24 55 percent credit because the lost partner
25 structure is thought to work and is used every

1 It goes to the core report is that
2 all state tax credits have a federal tax cost,
3 and we should do our best as a state to eliminate
4 it at the state level or the federal level and
5 make them more efficient.

6 That's hopefully one of the -- we
7 voted on it, hopefully one of the things that can
8 be followed up on post the handing it out in the
9 report.

10 COMMISSIONER REEVES: I'm not sure
11 where that put us on the No. 7. I mean, it's --

12 CO-CHAIRMAN STOGEL: I was trying
13 to answer Chuck's --

14 COMMISSIONER REEVES: You're saying
15 the historic would be 20 percent, not 25 percent
16 --

17 COMMISSIONER VAN MATRE: Low income
18 housing would be 20 percent instead of 25.

19 COMMISSIONER GARDNER: I think the
20 issue is bigger than that.

21 COMMISSIONER REEVES: We at the
22 historic committee did the same thing, stacked
23 with the low income.

24 COMMISSIONER JOYNER: So we're in
25 agreement?

1 day by the historic development folks in deals.

2 Plan 3 of the tax law report takes
3 that 8 percent cost down to about zero and puts
4 it in a better structure for -- with the state
5 law change that ties back into the federal law
6 change so we won't -- the historic folks and low
7 income folks won't need the loss partner
8 structure anymore.

9 It creates a significant additional
10 efficiency to the credit program. So 82 cents
11 could become 90, or a 25 percent credit could
12 become a little less.

13 So that's the state of the art in
14 the historic world, and that's what's done. But
15 with plan 3 of the tax law report, it adds some
16 efficiency to get it back up to 90 cents on the
17 dollar. So, Mark, I get that one right?

18 COMMISSIONER GARDNER: Mm-hmm.

19 CO-CHAIRMAN STOGEL: Okay. So
20 that's that answer. And there's other, besides
21 loss partner, there's yet other models that have
22 been used over the last 10 years to defer the tax
23 liability on the historic deals. And every deal
24 is sort of like Baskin Robbins, got 31 different
25 varieties.

1 COMMISSIONER REEVES: We came to
2 the same conclusion.

3 COMMISSIONER GARDNER: Here's what
4 I think the issue is. We recommended reducing
5 the qualified rehabilitation expenses so you only
6 get a 20 percent credit instead of a 25 percent
7 credit. That dings you a little bit for -- and
8 we felt like we had to take some action, quite
9 frankly, I'm going to be honest with you.

10 That's what the historic people
11 recommended, that's what we recommended because
12 we thought somebody was looking for us to take
13 some action where the credits are stacked, okay?
14 This is some action. The issue is bigger.

15 And the bigger issue is this. Even
16 if you take it down to 20 percent, there is an
17 issue as to how much money should ever be spent
18 on a individual unit. What should -- should
19 there be caps on construction costs? And I could
20 sit here and I would love to, let me tell you I
21 get phone calls -- I'm supposed to speak tomorrow
22 at the Dream Initiative.

23 I get phone calls from small to
24 medium sized towns all over the state all the
25 time saying we've got an historic building on our

1 town square that we've desperately need saved, it
2 will help with economic redevelopment downtown,
3 it's the jump start we need to make an
4 improvement in our downtown. Okay?

5 That's what I used to do, and I
6 quit doing it because there were -- there was
7 criticism of the cost pursuant, you know, and I
8 got tired of reading my name in the paper, quite
9 frankly. And I said fine, I'll just go build new
10 stuff, you know.

11 But -- but when you layer the
12 historic credit with the low income credit, you
13 got higher cost per unit. And sometimes those
14 numbers, when they show up in the newspaper
15 article sound exorbitant, and so politically it's
16 an issue. I mean, people are going to complain.

17 And so the issue is do we -- here's
18 what the real issue is. Do we say to out state
19 Missouri, guess what? The historic credit is
20 going to be confined from this point forward to
21 St. Louis and Kansas City for the most part.
22 Maybe a little bit in Springfield.

23 But in out state Missouri, you
24 cannot use the historic credit unless you're
25 layering it with the low income to do economic

1 revitalization in these downtowns, because the
2 people -- you don't have any young lawyers and
3 CPAs who can afford to pay a thousand dollars a
4 month to rent in Kirksville, Missouri, for an
5 apartment. And that's the truth.

6 So what you're really doing is
7 you're making the statement that historic credits
8 will be used in St. Louis and Kansas City only,
9 and they'll only be used on upper end
10 developments or up where upper income people can
11 live in them. And the people who have low to
12 moderate incomes will not be able to live in
13 historic structures.

14 Now, I have often said I don't care
15 which, you guys just tell me what you want to do.
16 I told the legislature on this and I told MHDC if
17 you don't want to see the historic structure
18 done, I won't come, but I will tell you -- and at
19 times I am a historic preservationist at heart.

20 It breaks your heart when you get a
21 phone call from somebody in Washington, Missouri,
22 who said we've got three buildings downtown, we
23 could combine the three buildings into one good
24 historic project, will you come do it? And right
25 now my answer is no, I will not do your building.

1 And I'm not sure that's the right answer.

2 CO-CHAIRMAN GROSS: Question. Did
3 either of the committees look at what other
4 states do in terms of combining historic and low
5 income? Who am I looking at?

6 COMMISSIONER REEVES: We looked at
7 it much more simplistic basis of, I mean, should
8 the developer put any of his own equity in it,
9 because eventually with so much stacking, there's
10 no cash on the table, and there should be some of
11 a developer's money at risk. And that's the only
12 point we did. We didn't get as complicated as
13 the rest of it.

14 CO-CHAIRMAN GROSS: Did you get any
15 recommendations?

16 COMMISSIONER REEVES: We agreed on
17 the 20 percent from the 25 if you stack it with
18 low income.

19 SENATOR BARTLE: I'll make a motion
20 that we eliminate stacking altogether.

21 CO-CHAIRMAN GROSS: I'll second
22 that for discussion.

23 COMMISSIONER VAN MATRE: Just
24 where, with respect to these two credits?

25 SENATOR BARTLE: Period. Stacking

1 across the board is gone.

2 COMMISSIONER VAN MATRE: We already
3 talked about stacking in the job creation.

4 CO-CHAIRMAN STOGEL: Can't do it in
5 the social credit area either. Social agencies,
6 we heard testimony all over the state, take a
7 little bit of NAP and a little bit of Y up and a
8 little bit of this to run their social programs.
9 It's -- and they're relatively minor amounts
10 compared to this.

11 Now, to the extent that it goes to
12 the question Mark raised which is, is there a
13 cost per unit, taking a building somewhere, try
14 to save it, because you can't support much debt.
15 You have to close the cost with equity, and it's
16 just very expensive to save that unit. There
17 just aren't rents for it. And I submit the
18 stacking question is way different from the
19 social and economic development field.

20 SENATOR BARTLE: I'll limit my
21 motion to these two. To historic preservation
22 and low income.

23 CO-CHAIRMAN GROSS: Second.

24 CO-CHAIRMAN STOGEL: Can we put
25 that before the historic committee as well

Page 273	Page 275
<p>1 tomorrow when they do that? Let them hear it and</p> <p>2 --</p> <p>3 SENATOR BARTLE: I'm fine if you</p> <p>4 want to defer.</p> <p>5 CO-CHAIRMAN STOGEL: Totally on the</p> <p>6 floor it should be discussed.</p> <p>7 CO-CHAIRMAN GROSS: All right.</p> <p>8 We're going to park No. 7.</p> <p>9 CO-CHAIRMAN STOGEL: But I think</p> <p>10 the historic people need to be present.</p> <p>11 CO-CHAIRMAN GROSS: Number 8.</p> <p>12 COMMISSIONER GARDNER: We recommend</p> <p>13 no change in the carry back/carry forward of the</p> <p>14 low income housing tax credit.</p> <p>15 CO-CHAIRMAN GROSS: Okay, we got a</p> <p>16 global issue coming, we'll park that for</p> <p>17 tomorrow.</p> <p>18 COMMISSIONER GARDNER: We're done.</p> <p>19 CO-CHAIRMAN GROSS: Is that it?</p> <p>20 MS. HEMENWAY: Mark? AHAP.</p> <p>21 COMMISSIONER GARDNER: I'm sorry if</p> <p>22 our recommendations are not more specific than</p> <p>23 they were. Here is the AHAP credit I'm going to</p> <p>24 talk about, recommendation No. 1. I know that a</p> <p>25 lot of the other donation credits cut their</p>	<p>1 make it somewhat flexible, and give the agency</p> <p>2 some flexibility in how they use that \$11</p> <p>3 million. That's our first recommendation.</p> <p>4 CO-CHAIRMAN GROSS: Okay. Make</p> <p>5 that in the form of a motion?</p> <p>6 COMMISSIONER GARDNER: Yes.</p> <p>7 COMMISSIONER HALL: How much of the</p> <p>8 cap is being used?</p> <p>9 CO-CHAIRMAN GROSS: I'll second it</p> <p>10 for discussion. Go ahead.</p> <p>11 COMMISSIONER REEVES: Doesn't it</p> <p>12 come down to a fundamental question of where we</p> <p>13 think we should be putting our money, whether we</p> <p>14 should be incenting operational activities or</p> <p>15 whether we should be incenting production</p> <p>16 activities?</p> <p>17 COMMISSIONER GARDNER: There's more</p> <p>18 demand for the not-for-profits need operating</p> <p>19 assistance.</p> <p>20 CO-CHAIRMAN GROSS: Right. But</p> <p>21 it's a policy matter whether that's where the</p> <p>22 money should go. I don't know where the</p> <p>23 legislature is on that.</p> <p>24 REPRESENTATIVE FLOOK: That was our</p> <p>25 legislation, Sallie, wasn't it? Consolidating</p>
Page 274	Page 276
<p>1 percentage believing that they could raise more</p> <p>2 money with the same number of credits.</p> <p>3 The AHAP's currently a 55 percent</p> <p>4 credit and -- I'm sorry, that's our last one.</p> <p>5 The first one was -- dealt with the caps. There</p> <p>6 are two types of AHAP credits, one is a operating</p> <p>7 assistance and the other one is a production</p> <p>8 credit. Production credits were actually for the</p> <p>9 production of housing and these are credits that</p> <p>10 are granted to not-for-profits.</p> <p>11 The other is operating assistance.</p> <p>12 The -- the current problem we have is that we</p> <p>13 have more demand for operating assistance than we</p> <p>14 do the production credit. So MHDC which actually</p> <p>15 awards the credits, or administers the program,</p> <p>16 would like some flexibility.</p> <p>17 And -- to take their total</p> <p>18 operating -- their total cap of 11 million and</p> <p>19 perhaps increase a reduction cap somewhere in the</p> <p>20 neighborhood of 2 to 3 million, and reduce the --</p> <p>21 I'm sorry, the operating assistance cap to 2 to 3</p> <p>22 million, and lower the production cap by an</p> <p>23 equivalent amount.</p> <p>24 So I think what we ideally would</p> <p>25 like is for the legislature to change the cap and</p>	<p>1 the -- getting away from operation costs? Get on</p> <p>2 the social community assistance program? Trying</p> <p>3 to consolidate all of them so that it was one</p> <p>4 program and you could do different things in one</p> <p>5 program.</p> <p>6 And on the state side, you'd have</p> <p>7 one application and one department dealing with</p> <p>8 it; and then on the program side, existing</p> <p>9 activities could still occur, but they would all</p> <p>10 apply into one program and would eliminate the</p> <p>11 ability, or drastically reduce the ability to use</p> <p>12 those incentives for operational cost, and they</p> <p>13 had to go into active service --</p> <p>14 MS. HEMENWAY: Service and actual</p> <p>15 production of -- you know, delivery of services,</p> <p>16 capital improvements, but limiting operating</p> <p>17 costs was House Bill 1157.</p> <p>18 REPRESENTATIVE FLOOK: 1157, yeah.</p> <p>19 I couldn't remember the number. So.</p> <p>20 CO-CHAIRMAN STOGEL: And the answer</p> <p>21 to the question earlier, the amount authorized</p> <p>22 maximum was \$11 million, that was what was</p> <p>23 authorized in 2007. In 2008, the number was 8.7.</p> <p>24 In 2009, it was 7.4. Almost 7.5. So it's -- the</p> <p>25 authorization's been running slightly below the</p>

69 (Pages 273 to 276)

Page 277	Page 279
<p>1 cap.</p> <p>2 COMMISSIONER GARDNER: That's maybe</p> <p>3 the amount of credits authorized by the agency,</p> <p>4 but I don't think that's what the cap was.</p> <p>5 CO-CHAIRMAN STOGEL: The cap there</p> <p>6 was 11 million.</p> <p>7 CO-CHAIRMAN GROSS: But is that</p> <p>8 broken down by operating and production? Is that</p> <p>9 cap divided?</p> <p>10 COMMISSIONER GARDNER: It is</p> <p>11 actually divided.</p> <p>12 CO-CHAIRMAN STOGEL: Ten million</p> <p>13 for production and 1 million for operations was</p> <p>14 the -- is the current statute.</p> <p>15 COMMISSIONER GARDNER: We have --</p> <p>16 if -- Katie, if you've got anything, or Jennifer,</p> <p>17 if you've got anything you want to say to address</p> <p>18 that? We have two representatives from MHDC</p> <p>19 here.</p> <p>20 CO-CHAIRMAN GROSS: Katie Watts.</p> <p>21 MS. WATTS: Katie Watts. If you're</p> <p>22 asking how much of those numbers were operating</p> <p>23 versus production out of the 7 million, 8.7, and</p> <p>24 11, we have always used the full 1 million in</p> <p>25 operating credits, so you can just subtract off a</p>	<p>1 CO-CHAIRMAN STOGEL: How much is</p> <p>2 the demand for operating?</p> <p>3 MS. WATTS: We figured -- you know,</p> <p>4 everybody knows there's only a million available.</p> <p>5 We get probably double that in application</p> <p>6 requests, but people, you know, they know that</p> <p>7 there is only a million available so they sort of</p> <p>8 tailor, you know, their requests.</p> <p>9 We limit the amount that each</p> <p>10 agency could get in operating credits to 100,000.</p> <p>11 So we think you could easily absorb two -- a</p> <p>12 total of two to three million in operating</p> <p>13 credits.</p> <p>14 CO-CHAIRMAN GROSS: Which is their</p> <p>15 recommendation. I'll speak in favor of the</p> <p>16 recommendation. I don't think it should be</p> <p>17 completely wide open. I think the policy</p> <p>18 direction that legislature has crafted over time</p> <p>19 which directs more money into production, I think</p> <p>20 that general idea should be maintained, but a</p> <p>21 little bit more flexibility. The 2 to 3 million</p> <p>22 or so which is their recommendation I would</p> <p>23 support.</p> <p>24 COMMISSIONER GARDNER: What if we</p> <p>25 gave -- what if the recommendation would be that</p>
Page 278	Page 280
<p>1 million for operating credits, and the balance</p> <p>2 would be production.</p> <p>3 CO-CHAIRMAN GROSS: What is under</p> <p>4 that title operating? What gets included there?</p> <p>5 MS. WATTS: Any time -- say you</p> <p>6 have a homeless shelter, so they could be using</p> <p>7 -- and they were getting donations for operating</p> <p>8 assistance, whether they're in kind donations or</p> <p>9 whether they are actually like maybe someone is</p> <p>10 donating rent, you know, the landlord is donating</p> <p>11 rent to a non-profit.</p> <p>12 CO-CHAIRMAN GROSS: So it could be</p> <p>13 utilities?</p> <p>14 MS. WATTS: It could be staff,</p> <p>15 anything in their operations. It's pretty open.</p> <p>16 CO-CHAIRMAN GROSS: And then</p> <p>17 production, could that be everything from the</p> <p>18 building of the -- or the construction of a</p> <p>19 building to the purchase of food in the case of a</p> <p>20 food pantry?</p> <p>21 MS. WATTS: The AHAP is only</p> <p>22 housing, so it would be new construction,</p> <p>23 rehabilitation, rental assistance falls under</p> <p>24 that. So those would be -- that would be what</p> <p>25 you could use production for.</p>	<p>1 we have an operating cap of, Katie, what would</p> <p>2 you say, 3 or 4 million? If we say 2 to 3</p> <p>3 million on top of the one?</p> <p>4 MS. WATTS: Two to 3 million in</p> <p>5 total.</p> <p>6 CO-CHAIRMAN GROSS: Just what your</p> <p>7 recommendation is, Mark, she's agreeing with.</p> <p>8 COMMISSIONER JOYNER: Why don't we</p> <p>9 just vote on the recommendation?</p> <p>10 COMMISSIONER HALL: Raising</p> <p>11 operating from 1 million to 2.5 million?</p> <p>12 CO-CHAIRMAN STOGEL: From 1 million</p> <p>13 to 2.5, and we're taking production down from 10</p> <p>14 to 8.5.</p> <p>15 COMMISSIONER HALL: You can raise</p> <p>16 the amount given by lowering the value of the</p> <p>17 credit and achieve the same thing.</p> <p>18 CO-CHAIRMAN STOGEL: That's the</p> <p>19 second recommendation. This is a question of out</p> <p>20 of \$11 million, how much goes to operating and</p> <p>21 how much goes to capital. And the recommendation</p> <p>22 is 2 or 4 million, call it. Out of the 11.</p> <p>23 COMMISSIONER GARDNER: So the</p> <p>24 motion -- let's take that as a motion.</p> <p>25 CO-CHAIRMAN GROSS: Okay. Motion,</p>

<p style="text-align: right;">Page 281</p> <p>1 I'll second that motion.</p> <p>2 CO-CHAIRMAN STOGEL: Two and a half</p> <p>3 to operation, and either and a half to production</p> <p>4 out of the 11.</p> <p>5 CO-CHAIRMAN GROSS: Okay. You</p> <p>6 heard the motion, all in favor say aye?</p> <p>7 (AYE.)</p> <p>8 CO-CHAIRMAN GROSS: Opposed no?</p> <p>9 (NO RESPONSE.)</p> <p>10 CO-CHAIRMAN GROSS: Okay. Adopted</p> <p>11 that one. Mark?</p> <p>12 COMMISSIONER GARDNER: The next</p> <p>13 recommendation was that we simply -- the</p> <p>14 legislature expand the allowable users. Right</p> <p>15 now it's limited to people with business income,</p> <p>16 and we think it ought to be anybody who's willing</p> <p>17 to make a donation should be able to use the</p> <p>18 credit. It shouldn't be restricted to people</p> <p>19 with business income.</p> <p>20 CO-CHAIRMAN GROSS: Okay. And that</p> <p>21 recommendation is printed on the -- on page 29 if</p> <p>22 anybody wants to read that.</p> <p>23 Make that in terms of a motion?</p> <p>24 COMMISSIONER GARDNER: That's a</p> <p>25 motion.</p>	<p style="text-align: right;">Page 283</p> <p>1 CO-CHAIRMAN GROSS: Make one of</p> <p>2 them as a recommendation.</p> <p>3 COMMISSIONER GARDNER: The</p> <p>4 recommendation is that we reduce the total cap of</p> <p>5 the -- both production and assistance by 1</p> <p>6 million so --</p> <p>7 CO-CHAIRMAN GROSS: I'll second</p> <p>8 that.</p> <p>9 COMMISSIONER GARDNER: Okay.</p> <p>10 CO-CHAIRMAN GROSS: Discussion?</p> <p>11 COMMISSIONER HALL: Well, the</p> <p>12 effect of this will be that if we change the</p> <p>13 other contribution credits, then more money will</p> <p>14 flow to this and at the expense of credits that</p> <p>15 have a lower value.</p> <p>16 CO-CHAIRMAN STOGEL: I was doing</p> <p>17 the math. If -- given where the social committee</p> <p>18 ended up, the 55 percent credit should become</p> <p>19 38.5, I'll call it 40, to be roughly equivalent</p> <p>20 to the cut that all the other social programs had</p> <p>21 with the same broad based inclusive definition of</p> <p>22 the taxpayers which we just approved.</p> <p>23 I agree with the social committee</p> <p>24 that if you broaden the basis, definition of</p> <p>25 taxpayers to be anybody, a public foundation, a</p>
<p style="text-align: right;">Page 282</p> <p>1 CO-CHAIRMAN GROSS: I'll second</p> <p>2 that. Discussion?</p> <p>3 (NO RESPONSE.)</p> <p>4 CO-CHAIRMAN GROSS: All in favor</p> <p>5 say aye?</p> <p>6 (NO RESPONSE.)</p> <p>7 CO-CHAIRMAN GROSS: Opposed say no?</p> <p>8 (NO RESPONSE.)</p> <p>9 CO-CHAIRMAN GROSS: And that's</p> <p>10 adopted.</p> <p>11 COMMISSIONER GARDNER: The third</p> <p>12 recommendation, and the last one, was the credit</p> <p>13 is a 55 percent credit, and we understand that</p> <p>14 some of the other people with the donation</p> <p>15 credits are going to a lower amount.</p> <p>16 You know, personally I have very</p> <p>17 serious reservations about that after having</p> <p>18 worked with the AHAP credit and working with some</p> <p>19 organizations who use it and trying to help them</p> <p>20 sell their credits, and our -- we would rather</p> <p>21 take a \$1 million haircut off of our total cap</p> <p>22 than reduce the credit percentage from 55 to 45.</p> <p>23 That's a preference. The secondary</p> <p>24 recommendation would be that we go from a 55 to a</p> <p>25 45.</p>	<p style="text-align: right;">Page 284</p> <p>1 private foundation, out-of-state folks because</p> <p>2 these are transferable credits, you'll raise the</p> <p>3 money.</p> <p>4 NMHC seems to be careful in how</p> <p>5 they hand it out, and they don't come near the</p> <p>6 cap, so the reduction from 10 to 11 isn't as</p> <p>7 important as consistency with all the other</p> <p>8 social programs. So.</p> <p>9 CO-CHAIRMAN GROSS: What do you</p> <p>10 want to do?</p> <p>11 CO-CHAIRMAN STOGEL: I think we</p> <p>12 should go from 55 to 40 just to be roughly</p> <p>13 equivalent and put AHAP on the same playing field</p> <p>14 as all the other social programs.</p> <p>15 CO-CHAIRMAN GROSS: You want to</p> <p>16 make a substitute motion?</p> <p>17 CO-CHAIRMAN STOGEL: I'm told that</p> <p>18 has to be a substitute motion.</p> <p>19 CO-CHAIRMAN GROSS: Second?</p> <p>20 COMMISSIONER HALL: Second.</p> <p>21 CO-CHAIRMAN GROSS: Further</p> <p>22 discussion on the substitute motion? Mark,</p> <p>23 anybody else?</p> <p>24 COMMISSIONER GARDNER: I would like</p> <p>25 to continue the discussion, and again, we had</p>

1 this -- we did have this discussion earlier at
2 the last meeting. I don't know what everybody
3 else's experience is, but I know when I'm out
4 there trying to sell AHAP credits -- and I don't
5 get paid for doing it, this is something I do.

6 I work with Main Street, Missouri,
7 they get AHAP credits, that's one of the ways we
8 get funding. We have a very difficult time
9 moving the AHAP credit at 55 percent. My thought
10 is if you cut it to 40, we're going to -- we're
11 not going to get, trust me, we're not going to
12 get more money, we'll get less money. We're not
13 going to be able to sell them all.

14 It's hard enough to sell them
15 today, and I know the intention is maybe with the
16 other donation credits, maybe you guys have other
17 sources that we don't have, but we -- we are down
18 to December every year trying to sell those darn
19 credits and -- I don't know.

20 CO-CHAIRMAN STOGEL: Do they have
21 to allow in kind? I know NAPs do, but most of
22 the other credit -- I don't know what food
23 pantry, but --

24 COMMISSIONER HALL: Food pantry
25 does, but we have a limit on that. The after tax

1 Bill. Further discussion?

2 (NO RESPONSE.)

3 CO-CHAIRMAN GROSS: Seeing none,
4 all in favor say aye?

5 (AYE.)

6 CO-CHAIRMAN GROSS: Opposed no?
7 (NO RESPONSE.)

8 CO-CHAIRMAN GROSS: The ayes have
9 it and the motion is adopted.

10 Anything else from your committee,
11 Mr. Gardner?

12 COMMISSIONER GARDNER: No. We're
13 done.

14 CO-CHAIRMAN GROSS: All right. So
15 we'll start tomorrow at nine o'clock sharp. Some
16 people have a 4:59 flight to catch tomorrow.
17 We'll start at nine with historic and global and
18 hopefully be done. Motion to adjourn?

19 COMMISSIONER JOYNER: So moved.

20 CO-CHAIRMAN GROSS: We're
21 adjourned.

22 (Off the record.)
23
24
25

1 cost of a contribution to a high income
2 individual is 60 cents. If you have a 55 percent
3 credit, it lowers the after tax cost to something
4 probably just south of 25 cents. Maybe 20.
5 Something like that.

6 So you're talking about an
7 incentive to the donor of the difference between
8 a normal contribution at 60 cents and a targeted
9 contribution at five. That is a very large
10 differential to the donor, and given an effort to
11 raise the money, people should be able to raise
12 the money with that kind of differential.

13 CO-CHAIRMAN STOGEL: I think if on
14 the theory that we're trying to make
15 recommendations that work, and we're going to
16 keep the credits the same but try to raise more
17 money, we ought to be consistent between the
18 types of credit programs.

19 COMMISSIONER GARDNER: I guess the
20 thing we can always do is try it for a year and
21 see how the program goes, and we can all go back
22 to the legislature and beg them to change if this
23 doesn't work.

24 CO-CHAIRMAN GROSS: We have a
25 substitute motion on the floor by Steven and

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2
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